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Report of the Comptroller and Auditor General of India for the year ended March 2013

Union Government (Communications and IT Sector)

No. 20 of 2015

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of India

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PREFACE

This Report for the year ended March 2013 has been prepared for submission to the President under Article 151 of the Constitution of India.

This Report of the Comptroller and Auditor General of India contains results of performance and compliance audit of the Ministry of Communications and Information Technology. The instances mentioned in this Report are those, which came to notice during the course of test audit for the period 2013-14 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 performance and compliance audit of the Ministry of Communications and Information Technology. It contains six chapters. Chapter I gives a brief introduction of the Ministry of Communication and Information Technology while **Chapters II to V** relate to present findings/observations arising out of the performance and 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. Chapter VI presents a summarised position of the Action Taken Notes furnished by the Departments under the Ministry.

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

Chapter-II Department of Telecommunications

Functioning of TERM Cells in Department of Telecommunications

The prime objectives for which TERM Cells have been formed to curb illegal and clandestine activities in the premises of the TSPs, to prevent misuse of telecom networks by the vested interests having no licences and to undertake other vigilance and monitoring activities remained mostly unfulfilled and unattained. The performance in testing of BTS regarding EMF radiation, was not up to the mark and instances were noticed where EMF radiations were above the acceptable level. Further, TERM Cells have failed to discharge their major responsibilities/functions since they have not taken up timely action against the service providers/unauthorized users due to lack of co-ordination with other wings/branches of DoT despite clear-cut instructions issued by DoT from time to time. Due to such failure apart from non-imposition of penalty pointed out through test check, vigilance function of the department was also compromised.

Paragraph 2.1

Irregular Amendment of the Telecom Licences to permit Intra-Circle Roaming in June 2008 and its adverse financial impact on the Telecom revenues

Amendment in UAS/CMTS licences in June 2008 in irregular manner facilitated unilateral sharing of spectrum by the telecom service providers in the guise of Intra Service Area Roaming (ISAR) without making any payment of one time charge for spectrum holding above 4.4 MHz (GSM) based on reserve price/auction price of auction held on November 2012 (for permission of sharing of spectrum) and the additional spectrum usage charges at the enhanced rate for combined spectrum holding as applicable comes to ₹ 8,210 crore and ₹ 1,394.53 crore respectively.

Paragraph 2.2

Hasty merger of Chennai Metro and Tamil Nadu Telecom Circles

Merger of Chennai Metro and Tamil Nadu Telecom Circles without any cost benefit analysis of the proposal in 2005 for the CMTS/UAS Licence resulted in undue benefits to the select Telecom Operator to the tune of ₹ 499.35 crore.

Paragraph 2.3

Undue favour to CDMA licencees

Despite TRAI's recommendations and approval of the EGoM, DoT decided not to auction the 800 MHz spectrum for EVDO services in 2010 though CDMA operators were providing 3G EVDO services with the available 2G spectrum (800 MHz) without liberalisation of spectrum. This resulted in non-realisation of upfront charges amounting to ₹ 9626 crore and undue favour to the CDMA licencees.

Paragraph 2.4

Undue favour to operators using dual/multiple technology

Pursuant to TRAI's recommendations (August 2007), DoT granted telecom licences for dual technology in October 2007 but failed to implement TRAI's recommendations to levy spectrum Usages charge for the combined total of spectrum allocated in different technology in specific bands resulting in undue benefit to the licencees to the extent of ₹ 882.06 crore (2009-10 to 2013-14).

Paragraph2.5

Inordinate delay in issue of demand letters to eight telecom licencees

Department of Telecommunications did not raise demands on eight licencees, whose telecom licences were quashed and cancelled and who continued operations after 02 February 2012, despite the Hon'ble Supreme Court of India ruling that they should pay the reserve price fixed by the Government for the purpose of conducting auction in November 2012, leading to non realization of ₹ 2,117.88 crore from eight licencees. The licences of those licencees who did not bid or did not win in the auctions were also not cancelled timely.

Paragraph 2.6

Lack of due diligence in auction of spectrum for Broadband Wireless Access (BWA) Services

The NIA for BWA Auction suffered from deficiencies in scope of usage of spectrum for different class of Licencees. The UAS/CMTS and ISP operators were allowed to bid for the same BWA spectrum while the usage of spectrum was governed by their respective licences. This led to post-auction demand by M/s Infotel for network codes which would have enabled them to provide voice services beyond the scope of their ISP licence. DoT facilitated the request by permitting them to migrate to Unified Licence after the auction. This migration, allowed at prices discovered in 2001, resulted in undue advantage of ₹ 3,367.29 crore to M/s Reliance Jio Infocomm (formerly M/s Infotel). It was also seen that even after four years of auction the roll out of BWA services has been negligible.

Paragraph 2.8

Chapter-III Department of Posts

Performance Audit on "Planning and Implementation of ‘Project Arrow’ Scheme in Post Offices"

Department of Posts (DoP) introduced ‘Project Arrow’ Scheme in April 2008, to transform India Post into a vibrant and responsive organization. The project envisaged up gradation of the Post Offices (POs) in urban and rural areas, enhancing the quality of service and improving their ‘look and feel’ environment. The project also aimed at creating conducive and friendly work environment both for the staff and the customers visiting the POs by providing all IT enabled services through secure connectivity and improving the service quality levels in core business areas such as Mail Delivery, Savings Bank, Money Remittances and other Financial services. Some of the important findings are:

- The mail operations of DoP were independently evaluated in 75 selected POs under nine Circles. Audit found that in most of the circles, mail operations have improved. However, in some circles there was a scope for further improvement.
- Audit noticed that more than 82 *per cent* of the mail received in the test checked POs was being delivered on the same day, yet it was below the prescribed tolerance levels of 100 percent.
- Evaluation of booking and delivery of MOs revealed that delivery performance of MOs in test checked post offices in Delhi, North East, Uttar Pradesh and Gujarat Circles was below the threshold limit.
- The banking performance of the selected POs in nine postal circles was evaluated with regard to the prescribed norms. It was noticed that performance of selected post offices

with regard to signature scanning and updation of passbook through printers was not satisfactory.

- The delivery performance of speed post was better than those of private couriers in major cities, at the tehsil level and at village level.
- Information kiosks, procured for providing postal information and internet browsing facility to the customers in Post Offices were underutilized. 75 *per cent* of kiosks test checked by audit were not being utilised at all.

Paragraph 3.1

Banking and Money transfer operations in Department of Posts

The objective of computerisation of postal savings bank functions through the Sanchay Post software was to reap the benefits of IT to improve the operational performance, besides providing error free and faster service to the customers.

The database has not been secured and is easily susceptible to data manipulation, which may lead to fraud. As data entry mode is being used for data entry even when on-line module is in operation, the data does not get validated by the controls/ rules built into the software causing many rule violations in opening of accounts and loss to Government besides exposing system to the risk of fraud. The software is unable to exercise necessary control to prevent opening of multiple/excess accounts and deposits, thus causing loss to government due to payment of excess interest. The customer application forms which were the only available information given by the customer duly signed by him with the necessary declarations were not preserved in many POs.

Paragraph 3.2

Chapter IV Department of Electronics and Information Technology

Creation of Infrastructure for National e-Governance Plan and Delivery of Services to common citizens through Common Service Centres (CSCs)

National e-Governance Plan (NeGP) approved in 2006 aimed towards making all Government services accessible to the common man in his locality at an affordable cost. The vision of NeGP was to be achieved through creation and implementation of core and support infrastructure in the form of SWAN, SDC, SSDG and CSCs. DeitY, as the nodal department, was assigned the pivotal role of providing guidance to the States/ UTs (Union Territories) for implementation of the component schemes of NeGP and closely monitoring the progress.

Audit observed that none of the States could adhere to the time frame proposed for the projects. There was lack of synchronization in the execution of projects leading to delays in e-delivery of services. The pace of utilisation of the infrastructure like SWAN and SDC in furthering e-governance in ten States selected for Audit was found to be slow. Therefore there is a need for close monitoring at DeitY as well as State level for optimum utilization of the infrastructure created under NeGP for delivering services to common citizen.

Paragraph 4.1

Chapter V Public Sector Undertakings under the Ministry

Inordinate delay in commissioning of OAN projects

Projects for laying optical fiber cables executed by four Telecom Project Circles and North East Task Force for ₹ 53.27 crore during the period 2005-06 to 2010-11 under Overlay Access Network were yet to be completed/handed over to the user Circles/SSAs. Further, as these projects were put on hold due to cash deficit in the Company, the expenditure incurred on these projects was rendered unfruitful.

Paragraph 5.2

Erosion of subscriber base due to Porting Out by Subscribers under Mobile Number Portability

Failure by BSNL to provide a good quality GSM mobile network at competitive tariffs led to erosion of its existing subscriber base under Mobile Number Portability to other operators resulting in loss of assured revenue of ₹ 100 Crore.

Paragraph 5.6

Imprudent Investment in GPON/GEPON Project

Procurement of GPON/GEPON equipments without detailed market study and obtaining of requirements from the Circles besides delayed installation of the same resulted in idling of equipments valued ₹ 377.15 crore and non-provision of envisaged services like Internet Protocol Television, Voice over Internet Protocol and Video on demand to the FTTH (Fibre to the Home) customers defeating the purpose of procurement of such equipments.

Paragraph 5.10

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 Performance Audit of selected programmes and activities and 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 2013.

This Chapter provides profile of the Departments and concerned entities along with planning and extent of audit, synopsis of the significant audit observations followed by a brief analysis of the expenditure of Departments under the Ministry of Communications and Information Technology (MoC&IT). **Chapters II to V** relate to present findings/observations arising out of the performance and 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[1] and 17[2] of the C&AG's (DPC) Act[3] and Section 19 for PSUs.

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.

[1] 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

[2] Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State

[3] Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971

1.4 Profile of Audited Entities

1.4.1 Department of Telecommunications (DoT)

The Department of Telecommunications (DoT) is responsible[4] for policy formulation, performance review, monitoring, international cooperation and Research and Development in telecommunication sector. The Department also allocates spectrum 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 telecomunication services in various cities and telecom circles.

➢ Analysis of Expenditure

The comparative position of expenditure of the DoT during 2012-13 and in the preceding four years is given in Table-1 below:

Table-1
Revenue and Expenditure of DoT

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue	12997.80	15879.49	120547.63	17400.92	18902.00
Expenditure	6186.17	11127.30	10370.26	8692.16	9273.38

(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 four years are given in Table-2 below:

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

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13
License Fee	9778.52	10286.43	11790.93	11456.48
Spectrum Usage Charges	3809.54	3432.47	5192.30	5679.19
Auction Revenue	–	106264.73	–	1722.24

(Source: Annual Report of DoT for the year 2013-14)

An analysis of the revenue earned by DoT revealed an increase during 2010-11 due to proceeds from the auction of 3G and Broadband Wireless Access (BWA) spectrum (₹ 1,06,264.73 crore) held in April to June 2010. Further, expenditure of DoT has grown

[4] Annual Report of DoT for the year 2013-14

steadily during this period with spurt in years 2009-10 and 2010-11, when the expenditure shot up due to payment of pensionary benefits consequent on implementation of recommendations of sixth Central Pay Commission report as well as clearance of claims of BSNL for Optical Fibre Cable (OFC) based network for Defence services.

➢ 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 2008-09 to 2012-13, the number of telephone subscribers increased from 429.72 million to 951.34 million in March 2012 but declined to 898.02 million by the end of March 2013. The status of overall growth for the year 2008-09 to 2012-13 in Telecom Sector is given below in Table-3.

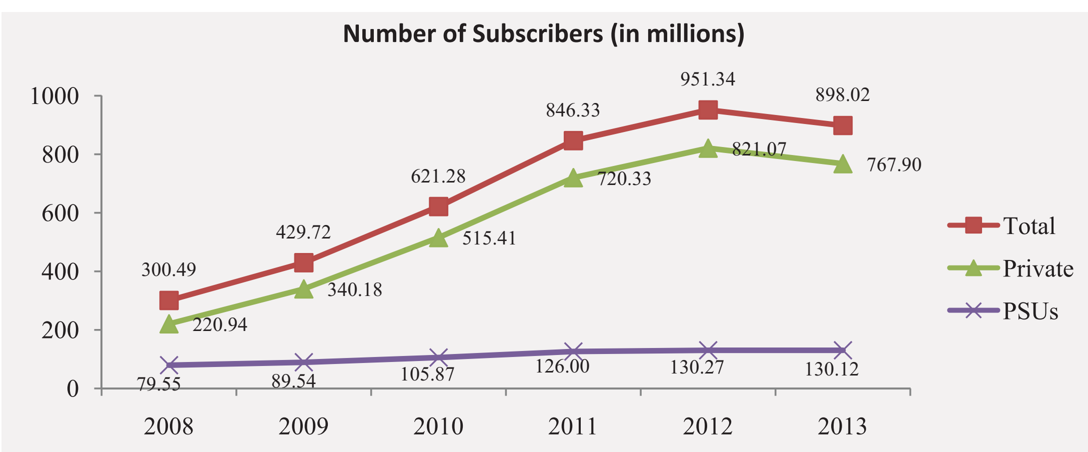
Table-3
Status of Growth in Telecom Sector

Year	Subscribers (In Millions)					Teledensity (In percentage)			Internet and Broadband subscribers (in millions)
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban	
2008-09	429.72	120.29	309.43	37.96	391.76	36.98	15.02	88.11	13.54
2009-10	621.28	200.81	420.47	36.96	584.32	52.74	24.29	119.73	16.18
2010-11	846.32	282.24	564.08	34.73	811.59	70.89	33.79	157.32	19.67
2011-12	951.34	330.82	620.52	32.17	919.17	78.66	39.22	169.55	22.86
2012-13	898.02	349.22	548.80	30.21	867.81	73.32	41.02	146.96	21.61

(Source: TRAI Annual Reports 2008-09 to 2012-13)

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

Growth in subscriber base - Private versus PSUs



(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 has remained almost static during the last three 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. One of the main objectives of TRAI is to provide a fair and transparent policy environment which promotes a level playing field and facilitates fair competition.

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. 01 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 presently 5 *per cent* of Adjusted Gross Revenue. 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 appropriation by law in this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting Universal Service Obligation. Accordingly, an amount for ₹ 50,682.96 crore has been collected by Department of Telecommunication (DoT) as USO levy and credited the same to Consolidated Fund of India. Out of this amount, only ₹ 22,733.04 crore has been received by DoT through appropriation by Parliament and credited to USO Fund as of 31 March 2013. 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 the administrative control of DoT

Brief profile of important PSUs under administrative control of DoT is as follows:

Mahanagar Telephone Nigam Limited (MTNL)

Mahanagar Telephone Nigam Limited (MTNL) set up on 1986, is a Navratna PSU and provides telecommunication facilities in India's key metros- Delhi and Mumbai. MTNL is the principal provider of fixed line telecommunication service and GSM mobile services in these two metropolitan cities in Delhi and Mumbai and providing triple play services i.e. voice, high speed internet and IPTV on its broadband network. MTNL's turnover was ₹ 3,714 crore and incurred a loss of ₹ 5,321 crore during the year 2012-13[5].

Bharat Sanchar Nigam Limited (BSNL)

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. BSNL had a turnover of ₹ 27,127 crore and incurred a loss of ₹ 7,884 crore during the year 2012-13[6].

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 Bareli and Mankapur in Uttar Pradesh and Palakkad in Kerala. The company achieved a gross turnover of ₹ 876 crore and incurred a loss of ₹ 182 crore during the year 2012-13[7].

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

[5] Annual Report of MTNL for the year 2012-13
[6] Annual Report of BSNL for the year 2012-13
[7] Annual Report of ITI for the year 2012-13

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 earned a profit of ₹ 15.76 crore on a turnover of ₹ 708 crore during the year 2012-13[8].

Bharat Broadband Network Limited (BBNL)

Bharat Broadband Network Limited (BBNL), a special purpose vehicle (SPV) has been incorporated in 2012 under Indian 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 earned a profit of ₹ 1.69 crore on a turnover of ₹ 4.01 crore during the year 2012-13[9].

1.4.2 Department of Posts (DoP)

The postal network of India is the largest in the world having more than 1.54 lakh post offices and touches 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. More recently, the Postal Department has 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 2008-09 to 2012-13 is shown in the Table-4 below:

[8] Annual Report of TCIL for the year 2012-13
[9] Annual Report of BBNL for the year 2012-13

Table-4
Revenue receipts and Revenue expenditure of DoP

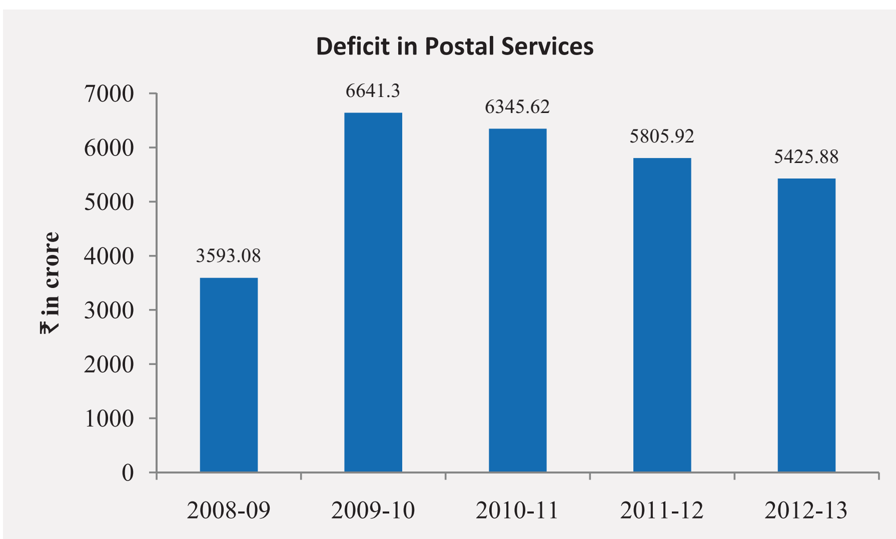
(₹ in crore)

Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2008-09	5862.33	300.82	9756.23	3593.08
2009-10	6266.70	438.94	13346.94	6641.30
2010-11	6962.33	485.72	13793.67	6345.62
2011-12	7899.35	458.64	14163.91	5805.92
2012-13	9366.50	688.77	15481.15	5425.88

(Source: Appropriation Accounts of DoP for the years 2008-09 to 2012-13)

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

There was a deficit of ₹ 5,425.88 crore on postal services[10] in 2012-13. The main reasons for the deficit of the Department as attributed by the Department was increase in Working Expenses due to leave encashment on LTC, MACP, normal increase in Pay, DA increase and pensionary charges etc. The comparative position for the period 2008-09 to 2012-13 is as under:



1.4.3 Department of Electronics and Information Technology (DeitY)

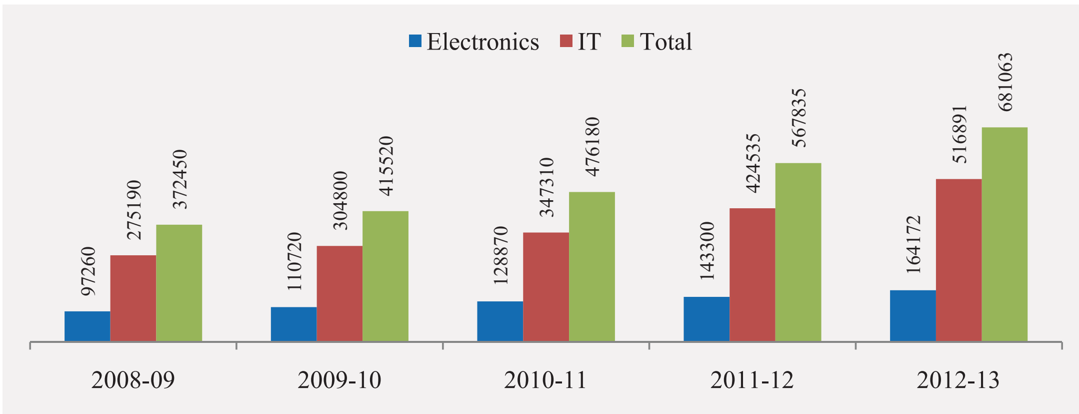
DeitY is a department under the MoC&IT that plays an important role in the development of Electronics and IT sector. The vision of DeitY is e-Development of India as the engine for transition into a developed nation and an empowered society.

[10] Deficit was calculated as the difference between revenue receipts & recoveries and revenue expenditure, i.e., {(₹ 9366.50+₹ 688.77)-₹ 15481.15}

The production and growth profile of the Indian Electronics and IT- ITeS (Information Technology Enabled Services) industry since 2008-09 to 2012-13 is as given in the chart below:

Electronics and IT production

(₹ in crore)



(Source: Annual Report of DeitY)

It can be seen from the chart that the overall growth in the sector during 2008-09 to 2012-13 was 182.86 *per cent* and the IT production accounted for 75.89 *per cent* of the total output of the Electronics and IT sector during 2012-13.

The Indian IT industry has been contributing substantially to India's GDP, exports and employment. The revenue aggregate of IT-ITeS industry is expected to be ₹ 8,39,425 crore and the Indian software and services exports are estimated at ₹ 5,19,319 crore during 2013-14 as envisaged by the Department.

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 2008-09 to 2012-13 is given in the Table-5.

Table-5
Grants vis-à-vis expenditure relating to DeitY

(₹ in crore)

Year	Amount of Grant	Total Expenditure
2008-09	1816	1558
2009-10	2582	1697
2010-11	3719	3129
2011-12	3048	2074
2012-13	3051	1903
Total	**14216**	**10361**

(Source: Appropriation Accounts of DeitY for the year 2008-09 to 2012-13)

There are five organizations[11] and seven Autonomous Societies[12] under DeitY in addition to two attached offices viz. Standardisation, Testing and Quality Certification Directorate (STQC) and National Informatics Centre (NIC) and three Section 25 Companies viz. Media Lab Asia, National Informatics Centre Services Inc. (NICSI) and National Internet Exchange of India (NIXI).

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.

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.

Media Lab Asia

Media Lab Asia is a ‘not for profit’ company 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. The company works with leading institutions for undertaking development work.

National Informatics Centre Services Inc. (NICSI)

National Informatics Centre Services Inc. (NICSI) was set up in 1995 as a Section 25 Company 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.

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[11] Controller of Certifying Authorities (CCA), Cyber Appellate Tribunal (CAT), Semiconductor Integrated Circuits Layout-Design Registry, Indian Computer Emergency Response Team (ICERT) and .In Registry

[12] 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)

National Internet Exchange of India (NIXI)

NIXI is a not for profit Organization under Section 25 of the Companies Act, 1956 and was registered on 19 July, 2003. Its main purpose is to facilitate exchange of domestic Internet traffic between the peering ISP members. The initial funding towards infrastructure was from Department of Information Technology. NIXI is entrusted with three responsibilities viz, Internet Exchange operation, .IN Registry operation and National Internet Registry (NIR) operation.

1.5 Budget and Expenditure Controls

A summary of Appropriation Accounts for 2012-13 in respect of DoT, DoP and DeitY is given in subsequent Table-6:

Table-6

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 Electronics and Information Technology	3051.01	1902.55	(-) 1148.46
2.	Department of Posts	15937.70	15627.42	(-) 310.28
3.	Department of Telecommunications	13262.34	9273.38	(-) 3988.96

(Source: Appropriation Accounts of the Departments for 2012-13)

Persistent excess in Grant No. 13 during the past three years by Department of Posts under Revenue (Voted) Section was commented in Appropriation Accounts for the year 2012-13 under Para 3.5 of CAG Report No. 1 of 2014 (Financial Audit). However, while combining both Revenue and Capital (Charged and Voted) Sections as indicated in Table-6, there was a saving of ₹ 310.28 crore.

CHAPTER-II
DEPARTMENT OF TELECOMMUNICATIONS

2.1 Functioning of TERM Cells in Department of Telecommunications

Introduction

With the increase in the number of telecom operators in the country, the Government felt the need for the setting up of a competent authority in all the licence service areas and large telecom districts of the country, in order to ensure that service providers adhere to the licence conditions and compliance of telecom network security issues. Keeping this objective in view, Department of Telecommunications (DoT) established Vigilance Telecom Monitoring Cells in 2004, which was renamed as Telecom Enforcement, Resource and Monitoring (TERM) Cells in August 2008. Further, besides the coordination with various network/service operators, functions of TERM Cells include vigilance, monitoring, security and other functions.

Audit was conducted to assess whether the Monitoring, vigilance and security functions are being performed as per departmental rules, instructions issued by DoT from time to time and best practices followed elsewhere. Out of the 34, 27 TERM Cells[1] were selected by Audit for scrutiny**,** besides the office of the Dy. Director General, TERM Cell in DoT headquarters at Sanchar Bhawan, New Delhi.

Para No. 2.1 of the Report of the Comptroller and Auditor General of India for the year ended March 2012 (Union Government, Communications and IT Sector**,** Compliance Audit Observations No. 17 of 2014), had commented upon the Subscriber verification function to be done by TERM Cell.

Audit findings regarding monitoring, vigilance and security functions of TERM Cells are discussed below:

2.1.1 Poor performance in Testing of the BTSs

The TEC (Telecom Engineering Centre) developed the test procedures for measurement of emissions in September 2009. All CMTS/UAS licencees were accordingly directed (November 2009) to comply with the instructions issued in November 2008. In November 2008 DoT amended the UASL/CMTS Licence agreement to enjoin upon the Licencees to conduct audit of levels of emission for antennae (Base Station Emissions) and provide

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[1] Ahmedabad, Gujarat, Bengaluru, Karnataka, MP, Chattisgarh, TN, Chennai, Odisha, Delhi, Hyderabad, AP, Jaipur, Rajasthan, Haryana, Punjab, Kolkata, WB, Lucknow, UP (W), UP (E), Nagpur, Pune, Mumbai, Bihar, Jharkhand and Kerala

self-certificates annually as per procedure prescribed by TEC or any other agency authorized by Licensor from time to time for conforming to limits/levels of emission for general public exposure as prescribed by International Commission on Non-Ionizing Radiation Protection (ICNIRP)[2] /DoT from time to time.

In April 2010 DoT issued instructions to all CMTS/UAS licencees that TERM Cell will test up to 10 *per cent* of new Base Transceiver Station (BTS) sites randomly at its discretion. Additionally, the BTS sites against which there are public complaints, shall also be tested by TERM Cell. Subsequently in December 2010, DoT while clarifying their earlier instructions, stated that TERM Cell will test up to 10 *per cent* of total BTS sites (including existing and new sites) randomly at its discretion in addition to attending to public complaints on the BTS sites.

Audit scrutiny of records (August-September 2013) regarding number of BTS tested in respect of 27 TERM Cells test checked in audit revealed that out of total available 6,86,548 numbers[3] of BTS sites as on 31 March 2013, only 45,697 BTS (3.04 *per cent*)[4] sites were tested by TERM Cells during the period from November 2010 to March 2013**.**

Further scrutiny revealed the following:

In their order issued (December 2010) DoT prescribed percentage of annual tests to be conducted by TERM Cells as 'up to 10 *per cent*' instead of specifying differential targets for testing of the BTSs for emission for the urban and rural areas. As the metropolitan cities and other state capitals/large cities having very high number of BTSs per unit area, where more people would have higher probability of exposure to EMF in course of their normal activities, DoT failed to minimize the risks of exposure in high risk areas.

DoT in their reply (July 2014) stated that in order to have fair representation of the coverage area, testing of BTS sites in rural/thinly populated areas of the city are also done. It was further stated that if sufficient number of related staff was posted in TERM Cells and sufficient tools/testing equipment were made available in TERM Cells, then such targets could be met in an effective and time bound manner in a routine way.

The reply is not tenable as clause 3(v) of DoT order dated 8 April 2010 stipulates that tools and equipment for testing were required to be provided by the concerned Mobile Service Provider to TERM Cell which should have been ensured before proceeding for testing. Further, 91 out of 849 BTSs i.e. 10.72 *per cent* were found to be non-compliant of

[2] Initially ICNIRP prescribed exposure limit for the Radio frequency field was communicated by DoT in April 2010. Subsequently in November 2011, as per recommendation of the Inter Ministerial Committee on EMF Radiation the same was lowered to one-tenth of the existing exposure level and communicated to all the licensees in December 2011

[3] Total no. of BTS as on 31 March 2011, 31 March 2012 and 31 March 2013 were 5,81,619, 6,69,113 and 6,86,548 respectively.

[4] Calculation of percentage : 45,697/(5,81,619/4 + 6,69,113 + 6,86,548)*100 =3.04 *per cent*

prescribed radiation norms by TERM Cell, Mumbai in 2012-13, and hence the target of mandatory testing especially in densely populated area needs to be increased.

2.1.2 Non-imposition/non-realisation of penalty of ₹ 4219.30 crore on TSPs for non/delayed submission of self-certificates in connection with compliance to the EMF Radiation norms

In April 2010, DoT instructed all CMTS/UAS Licencees that all the existing BTSs should be ICNIRP (International Commission on Non-Ionizing Radiation Protection) guidelines compliant by 8 May 2010[5] as per the Test procedure circulated on 9 November 2009 and the self-certificates to that effect were to be submitted by the TSP to respective TERM Cells by 15 May 2010, which was later extended up to 31 March 2011. All new BTSs installed after 8 May 2010, were required to be self-certified before they start radiating and there after once in two years. In both the cases , as per instruction issued (October 2012) by DoT, a self-certificate as prescribed in Licence Agreement or through instructions issued from time to time is not submitted by the licencee to the respective TERM Cell within due date a penalty of ₹ 5 lakh per BTS shall be imposed on the Licencee.

Audit scrutiny of self-certificates submitted in case of BTS commissioned before 8 May 2010 by the TSPs in eight TERM Cells[6] test checked revealed that out of 1,31,394 BTSs, self-certificates had not been submitted in respect of 7811 BTSs up to 31 March 2011 for which a penalty of ₹ 390.55 crore should have been imposed.

In case of BTSs installed after 8 May 2010 out of 1,96,619 BTSs installed in 24 TERM Cells[7] test checked in audit, self-certificates had not been submitted in respect of 76,575 BTSs (38.95 *per cent*) prior to starting radiation in violation of DoT instructions (October 2012) for which a penalty of ₹ 3,828.75 crore should have been imposed. However, only in five TERM Cells[8] demand notices were issued against 3,359 BTSs out of 76,575. Moreover none of TERM cells could recover penalty for late submission of self-certificates till October 2013 as required as the matter is pending before Hon'ble Telecom Dispute Settlement Appellate Tribunal (TDSAT).

In reply DoT stated (July 2014) that the present set up for each TERM Cell do not have any regular sanctioned posts of below JTS level officers. To mitigate this problem, as an interim measure an arrangement of taking SDEs/JTOs from BSNL was done in 2010.

5 As per the procedure for measurement of EMF from BTS antennae communicated on 9 November 2009, all the existing BTS should be ICNIRP guidelines compliant by 8 May 2010 (i.e. six month after 9 November 2009) and all new BTS sites (i.e sites commissioned after 8 May 2010) should start radiating only after self-certificate has been submitted to relevant TERM Cells.

6 Ahmedabad, Gujarat, Bangalore, Kolkata, Nagpur (Maharashtra), Pune (Maharashtra), Mumbai, Kerala. The matter had been checked in all the selected TERM cells (i.e.27) but there was no such delay in the remaining TERM cells as per available records.

7 Ahmedabad, Gujarat, Bangalore, Karnataka, Madhya Pradesh., Chattisgarh, Tamilnadu, Odisha, Delhi, Hyderabad, Andhra.Pradesh., Rajasthan, Haryana, Punjab, Kolkata, West Bengal, Lucknow, Uttar Pradesh(East), Uttar Pradesh(West), Nagpur (Maharashtra), Pune (Maharashtra), Mumbai, Jharkhand, Kerala

8 Gujarat, Chattisgarh, Rajasthan, Haryana , West Bengal

Despite the stop gap arrangement made in 2010, till date around 50 *per cent* of these BSNL officers are made available to TERM Cells. In absence of sufficient manpower as stated above, the works assigned to TERM Cells were getting delayed or not even taken up.

The fact thus remains that even after 10 years of formation TERM Cells have yet to become functionally effective.

2.1.3 Non imposition of penalty of ₹ 87.90 crore on TSPs for non-submission of fresh certification in respect of upgraded BTS sites within the prescribed period

In accordance with DoT's instructions (December 2010), all TSPs were required to submit fresh self-certificates conforming to the ICNIRP guidelines on radiation norms whenever a particular BTS site was upgraded. In case of shared sites, all the sharing operators were required to submit fresh self-certificates. In October 2012, DoT prescribed a penalty of ₹ 5 lakh per BTS per service provider for failure to submit fresh self-certificates within the prescribed period of two weeks in case of BTSs upgraded after 10 December 2010.

Audit found in four TERM Cells test checked that out of 2,763 cases, demand notices had been issued in 1,005 cases only leaving non-imposition of penalty of ₹ 87.90 crore in these four areas as indicated in the table below:

Table-1

(₹ in crore)

TERM CELL	No of sites for which self-certificates not submitted	Penalty to be imposed	Out of col.(2) no of sites for which Demand notice issued	Out of col.(2) no of sites for which Demand notice not issued (col.2-col. 4)	Penalty not imposed (col.5*5 lakh)	BTSs upgrader or sharer
1	2	3	4	5	6	7
Vijayawada	954	47.70	0	954	47.70	Both
Punjab	470	23.50	0	470	23.50	Both
Haryana	355	17.75	21	334	16.70	sharer only
Jaipur	984	49.20	984	0	0.00	Both
Total	**2763**	**138.15**	**1005**	**1758**	**87.90**	

DoT attributed (July 2014) the non-issue/delay of demand notice to the absence of required manpower.

The reply of DoT reflected the non-serious attitude towards ensuring necessary compliance of the instructions by TERM Cell even after a lapse of more than 10 years of its formation, required manpower was not provided to discharge the duties assigned and effective functioning of TERM Cell.

2.1.4 Non-imposition of penalty for ₹ 23.09 crore on TSP for non-compliance of signage norms

TSPs were required to provide proper signage[9] of proper size, color code and background for adequate visibility for showing the prescribed warning[10] for information of general public about the exclusion zones at the BTS site. In case of non-compliance due to improper signage or if signage is absent, a penalty of ₹ 5 lakh was to be imposed on the TSPs as per order issued in November 2010. Subsequently, in October 2012, the penalty was reduced to ₹ 5,000 per signage per site on first verification and if compliance was not made within 30 days from the inspection date, a penalty of ₹ 5,000 per week was to be imposed subject to a limit of ₹ 50,000 per site for violation of signage norms.

In 27 TERM Cells test checked in audit revealed that signage norms were not complied in 1040 cases during 2010-11 to 2012-13 but TERM Cells did not impose penalty of ₹ 23.09[11] crore**.**

On this being pointed out DoT replied (July 2014) that TERM Cells could not impose penalty due to lack of clarification in respect of date of effect of order dated 11 October 2012. Further clarifications has been issued (March 2014) stating that penalty for non-provision of signage will be effective from the prospective date only. After that, TERM Cells are in process to take suitable action for such non-compliances.

DoT took almost one and half years to issue the clarification, which has resulted in continued non- compliance of DoT's instructions in this regard. Further, DoT's reply confirms that the penalty for non-compliance in respect of signage @ ₹ 5,000 will be effective only after October 2012. For cases prior to October 2012, it will continue as per November 2010 instructions.

2.1.5 Launching of GSM service by M/s Reliance Communications Limited in Delhi without prior approval of DoT

As per instructions issued (14 May 2008) by DoT, the licencees were directed that no new services shall be launched until appropriate system for monitoring are put in place. The

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[9] The test procedure was issued in September 2009 and supplementary procedure in August 2010

[10] DANGER: On the tower structure; WARNING: at the entry point of exclusion zone; CAUTION: at the entry point of roof of the building of BTS in case of RTT or at the entrance of BTS compound in case of GBT

[11] (a)The figure had been arrived at by taking penalty at the rate of ₹ 5 lakh before and at the rate ₹ 5,000 from October 2012. (b) (31+409+16)*5,00,000 +584*5000 =₹ 23,09,20,000

Licencee must also inform DoT about launch of any new service/facility in their network 15 days in advance failing which it would be treated as breach of terms and conditions of Licence Agreement and appropriate action would be initiated. Subsequently DoT revised (8 November 2010) the 15 days time limit to 35 days.

Audit scrutiny(September 2013) revealed that M/s. Reliance Communications Ltd. (RCL) had launched its GSM service network in Delhi Licenced Service Area (LSA) in February 2009 without prior demonstration of the Lawful Interception & Monitoring[12] (LIS/LIM) capabilities of its GSM network in violation of the above instructions. However, TERM Cell Delhi took action after two years (November 2011) and instructed RCL to submit the necessary Certificate without asking for any explanation regarding violation of terms and conditions of the Licence Agreement. RCL submitted the necessary certificate in March 2012.

In reply to audit observation, TERM Cell (September 2013) stated that no penal action has been initiated as there was no such provision in DoT instructions issued (14 February 2012) to M/s.RCL for demonstration of LIM facilities of GSM network. DoT's reply is still awaited.

The reply of TERM Cell is not acceptable as breach of terms and condition of licence agreement would attract penal action and this was reiterated in the instructions issued in May 2008 and November 2011. Moreover, non-adherence to meeting the legitimate monitoring requirement of the security agencies has serious implication on National Security as stated in the above instructions.

2.1.6 Irregular/unauthorized operations of Other Service Providers (OSP)

In November 2006, DoT instructed all the heads of TERM Cells to ensure that data regarding Primary Rate Interface (PRI) line customers, Calling Line Identification Restriction (CLIR) customers, Heavy usages customers, Bulk connections etc. were being sent by the operator/service provider regularly and TERM Cell was required to take immediate action once the information received from any source regarding grey market setup/illegal service provider. Further, the above information in detail should be sent to DoT Hqrs on monthly basis. The above data must be scanned by TERM Cell concerned on regular basis to identify the misuse of cases/ clandestine, illegal operations etc. Further, as per DoT instructions (June 2007 and August 2008), TERM Cells are required to conduct the inspection of different facilities, provided to all the Licencees/Registered OSPs (Other

[12] Lawful Interception & Monitoring: Action (based on the law), performed by a network operator/service provider/access provider, of making available certain information and providing that information to an LIMF (Lawful Interception Monitoring Facility).

Service Provider)[13] once in a year. It was also to be verified whether there had been any breach in compliance of terms and conditions of the registration by the OSPs.

Audit scrutiny in 10 out of 27 TERM Cells test checked revealed that no data analysis was carried out as required by them.

It was further revealed that in 18 TERM Cells[14] out of 27 TERM Cells test checked, out of 4,274 registered OSPs during 2010-11 to 2012-13 with TERM Cell, annual inspection was conducted for 233 OSPs only (5.45 *per cent)*[15]. As it is a security related issue the overall impact of such failure may have far-reaching implication as discussed below:

- **Irregular operations by M/s. Alfa Flights Ltd.**

M/s. Alfa Flight Ltd. was functioning as OSP without registration with TERM Cell Delhi by obtaining telecom resources from M/s. Airtel. On the basis of a complaint forwarded (June 2012) by DoT to TERM Cell, they carried out inspection (June 2012) to locate the company and verify the reason as to why M/s. Airtel provided the resources to the company without verifying its authenticity as OSP. During subsequent inspection carried out by TERM Cell (February 2013) the presence of the Company could not be established.

In reply to audit query, TERM Cell replied that due to non-availability of staff, the case could not be pursued.

The fact remains that TERM Cell took 7 months to instruct M/s. Airtel (January 2013) to disconnect all Telecom Leased Lines provided to the company illegally as it may be of grave security concern.

- **Unauthorized international call centre by Sehgal Infotech Pvt. Limited (SIPL).**

M/s. Sehgal Infotech Pvt. Ltd. (SIPL) was running an International call centre since 2009 by obtaining a 10 Mbps International Leased Line (ILL) provided by M/s. Pipetel Communications Pvt. Ltd (Internet Service provider), without being registered as an OSP. TERM Cell identified the same during inspection in March 2013 i.e. four years after it started functioning and show cause notice issued for operating unauthorized call centre. M/s. SIPL simply issued an apology and requested for registration which was issued in May 2013.

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[13] The Service Providers providing 'Application Services' like tele-banking, tele-medicine, tele-education, tele-trading, e-commerce, call centre, network operation centre and other IT Enabled Services, by using Telecom Resources provided by Authorised Telecom Service Providers are being registered under Other Service Providers (OSP)

[14] Delhi, Andhra Pradesh, Chennai, Tamilnadu, Odisha, Pune(Maharashtra), Ahmedabad, Gujarat, Hyderabad, Thiruvananthapuram, Mumbai, Nagpur(Maharashtra), West Bengal, Uttar Pradesh (West), Uttar Pradesh (East), Lucknow, Punjab, Haryana

[15] 233/4274*100 = 5.45 *per cent.*

DoT did not reply to the observation. TERM Cell replied (September 2013) that there was no provision for penal action against the OSP as per terms and conditions of OSP registration.

Reply is not acceptable as the vigilance function of TERM Cell stipulates that (a) control over clandestine/illegal operation of telecom networks by vested interests having no licence (b) to file FIR against culprits, pursue the cases, issue notices indicating violation of conditions of various Acts in force from time to time. Therefore, TERM Cell failed to identify the illegal/ unauthorized OSP activities, which was fraught with security risks.

- **Irregular OSP services by M/s. Spanco BPO Services Ltd.**

M/s. Spanco BPO Services Ltd. (SBSL) a Domestic Call Centre (DCC) continued its operations after expiry of its registration (May 2011). TERM Cell issued (March 2013) notice to the company 21 months after expiry of registration despite the expiry of bank guarantee. TERM Cell did not take any penal action against SBSL for carrying out illegal activities. Subsequently, new DCC registration was issued to SBSL by TERM Cell (May 2013).

TERM Cell stated that unauthorized Call Centre may not be termed as carrying on illegal activities and there is no provision for penal action against the service providers for violation of terms and conditions of licence agreement. However, notice for disconnection of resources was issued (March 2013) to all the service providers.

Reply of TERM Cell is not acceptable, as they should take immediate action once the information is received from any source regarding grey market setup/illegal service provider as per DoT instruction of November 2006. Thus, it is an example of lax monitoring by TERM Cell. Reply from DoT is still awaited.

2.1.7 Failure to conduct Service Testing in time

In terms of DoT instructions, Service Testing is an important function of TERM Cells to verify the achievement of rollout obligations by the TSPs. As per the UAS/CMTS licence agreement, all access service licencees were required to rollout their service within the prescribed time period.

DoT had issued instructions(October 2009) to TERM Cells in relation to Service Testing for roll out obligation apart from indicating certain requirements to be performed by the TSPs. TERM Cells were also required to complete the testing within stipulated time frame as given below:

Table-2

Sl. No.	No. of BTS in the network	Time period for testing by TERM Cells
1.	Up to 50	1 month
2.	Up to 100	2 months
3.	Up to 250	3 months
4.	Up to 500	4 months
5.	> 500	5 months

Audit scrutiny in six TERM Cells test checked (September 2013) revealed that service testing was delayed upto 38 months as against the maximum prescribed time period of five months.

DoT attributed (July 2014) the above failure to the absence of manpower for which many of the works assigned to TERM Cells were getting delayed or not even taken up.

The reply of DoT is not acceptable as the service testing is directly related to the achievement of roll out obligations by TSPs, TERM Cell should have avoided such huge delay in testing.

2.1.8 Inadequate manpower to carry out the work assigned to TERM Cells

Though TERM Cells are mandated to ensure that the service providers adhere to the licence conditions and compliance of telecom network vigilance, monitoring, security and other communication related issues of the country, which is of paramount importance, the present set up for each TERM Cell does not have any regular sanctioned posts below JTS level officers, which was the working level for carrying out these types of field works and other associated activities of TERM Cell. It was stated that to mitigate this problem, an arrangement for taking SDEs/JTOs (maximum 7 per Service Area) from BSNL was made in the year 2010, but only 50 *per cent* of these BSNL officers are available for TERM Cell. Further, the manpower requirement of TERM Cell to carry out the assigned function was yet to be assessed by DoT. It was also mentioned in the reply (July 2014) that the issue of posting of adequate manpower in TERM Cell to carry out the assigned functions in an effective and time bound manner was pending with establishment wing of DoT since a very long time. This clearly indicates lack of co-ordination among different wings of DoT.

Conclusion

Thus, the prime objectives for which TERM Cells have been formed i.e., to curb illegal and clandestine activities in the premises of the TSPs, to prevent misuse of telecom networks by the vested interests having no licences and to undertake other vigilance and monitoring activities remained mostly unfulfilled and unattained. The performance in testing of BTS regarding EMF radiation was found not up to the mark and instances were found where EMF radiations were found above the acceptable level. Further, TERM Cells have failed to discharge their major responsibilities/functions since they have not taken up timely action against the service providers/unauthorized users due to lack of co-ordination with other wings/branches of DoT despite clear-cut instructions issued by DoT from time to time. Due to such failure apart from non-imposition/non-realisation of penalty pointed out through test check, vigilance function of the department was also compromised. Contention of DoT about manpower deficiency being the primary reason for delay is not acceptable as alleged shortage of manpower has been allowed to continue even after ten years which resulted in private operators flouting the norms for ten years without being penalized and public being exposed to the risk of EMF radiation.

2.2 Irregular Amendment of the Telecom Licences to permit Intra-Service Area Roaming in June 2008 and its adverse financial impact on the Telecom revenues

Amendment in UAS/CMTS licences in June 2008 in irregular manner facilitated unilateral sharing of spectrum by the telecom service providers in the guise of Intra Service Area Roaming (ISAR) without making any payment.

Department of Telecommunications (DoT) in exercise of its power as licensing authority in public interest for the proper conduct of the Service, amended (June 2008) the clause 2.2 (a) (i) of the Unified Access Services Licence (UASL) and clause 2.1(a) of the Cellular Mobile Telephone Services (CMTS) Licences issued in 2001 and clause 2.2(a) of UASL migrated from CMTS Licence, by inserting a note in the Licence conditions as follows:

"A Licencee may enter into mutual commercial agreements for intra-service area roaming (ISAR) facilities with other licenced Cellular Mobile Telephone Services Licencees/Unified Access Services Licencees. Further, TRAI can also prescribe tariff/charges for such facilities within the provisions of TRAI Act, 1997 as amended from time to time."

2. Scrutiny of the records of DoT revealed following infirmities in the approval process for amendment (12 June 2008) in the 280 UAS/CMTS licences in the telecom sector:

(i) The sole justification given in the suo-motto one page note put up on 4 June 2008 by the Access Service Division of DoT was that since there was no bar in the licence conditions for licencees to enter into roaming agreements in a service area, it will be appropriate to clarify this by exclusively specifying in the licence conditions to remove any ambiguity. The note proposing the amendment was suo-motto submitted by the then Director (AS IV) of DoT without any recommendation of TRAI or request from any other stakeholder in Telecom sector.

(ii) The GSM World Association has defined[16] roaming "as the ability for a cellular customer to automatically make & receive voice calls, send & receive data, or access other services when travelling outside the geographical coverage area of the home network, by means of using a visited network". Thus, the roaming arrangement is meant for providing connectivity during movement of a subscriber out of the area of home network to the area of visitor network. Therefore insertion of the provisions for ISAR in the licence conditions was against the very concept of the roaming as the standard and normally accepted definition of roaming was ignored.

(iii) ISAR is being used by the UAS licencees to utilise the network of other licencees in the same service area and consequently, facilitated sharing of spectrum by the telecom service providers, as evident from the following:

- Review of ISAR agreements revealed that the UAS licencees offer ISAR for non-spectrum districts as well as for spectrum districts. This implies that in case of non-spectrum districts[17], spectrum of one operator is being utilised by the other party of the agreement whereas in spectrum district, both the operators utilise the spectrum of each other. The agreements also provide for traffic projections of sharing operators with a provision for increase in sites to meet increased traffic. Since amount of spectrum held with an operator is equivalent to certain number of wireless communication channels, therefore, the above arrangements between operators implied that the wireless channels of the visitor operators network could be used if all wireless channel of home operators network were busy in that area. Hence, spectrum sharing has been facilitated by DoT through ISAR.

- A number of ISAR agreements were entered into by the TSPs who did not have 3G spectrum with the operators (having 3G spectrum) for giving 3G services. This also indicates that ISAR has facilitated sharing of spectrum.

(iv) The fact that TRAI had opined against ISAR in April 2007 was not brought on record. TRAI had given detailed reasons in its report against ISAR. These inter-alia included difficulties in network planning and billing, quality of service responsibilities, incentive to set up own network and having adverse impact on spread of network in rural areas in particular. The fact that in case, the Government is not in agreement with any recommendation of TRAI regarding amendment of

[16] This definition of roaming has been adopted by TRAI in its Consultation Paper dated 25 February 2013 on "Review of Tariff for National Roaming".

[17] In such districts only one of the parties (operators) of the agreements were having spectrum allotted.

existing UAS/CMTS licences, as per TRAI Act, Government needs to refer back the matter to TRAI for reconsideration, which was not brought on record too. Further, the Chairman TRAI had stated (July 2008) that-

- "any amendment in the terms & conditions of the licencees to the service provider would only follow after the recommendation is received from the Authority on request from licensor."

- "this route cannot and should not be considered as a substitute or alternative to spread of the network envisaged under the roll out obligations."

The ISAR proposal was approved without undertaking any analysis of the issues involved, its impact on the roll out obligations of the new licencees, financial implications etc. Recommendation of TRAI was not sought for, though it involved modification of the terms and conditions of UAS/CMTS Licences. This was inspite of the fact that TRAI was mandated to give recommendation on terms and conditions of licence as per section 11(1)(a)(ii) of TRAI Act 1997. Further, Member (Finance) also was not consulted at the time of amendment though it had significant financial implications - such as payment in respect of Spectrum usage charges and one time payment for spectrum- for future operations of the telecom services including auctions of the spectrum etc., as detailed in subsequent para.

3. Audit observed that 16 ISAR agreements had been entered into for 2G services between June 2008 and January 2011. In January 2011, DoT announced that in future the Spectrum will not be bundled with the licence, it will be made available only through market driven process. Afterwards, 53 ISAR agreements were entered between February 2011 and December 2012 for 2G services. Additionally, 86 ISAR agreements were entered into by the TSPs who were not having 3G spectrum with operators having 3G spectrum during 2011-12 for giving 3G services. Hence, spectrum sharing has been facilitated by DoT through ISAR, as also discussed in earlier para.

4. As ISAR facilitated sharing of spectrum, therefore the charges that had been approved by the Cabinet (November 2012) for 'sharing of spectrum' as submitted by DoT, became applicable on the parties involved in ISAR agreements. As per Cabinet decision, "sharing of spectrum will be permitted only when both the licencees have paid for their respective spectrum holding, above 4.4 MHz (GSM)/2.5 MHz (CDMA) based on reserve price/auction price" and "both TSPs would have to pay spectrum usage charge at the slab rate applicable on the entire combined spectrum holding." The applicable one time charge for spectrum holding above 4.4 MHz (GSM) based on reserve price/auction price of auction held on November 2012 (for permission of sharing of spectrum) and the additional spectrum usage charges at the

enhanced rate for combined spectrum holding to be levied on the parties involved in the ISAR agreements has been calculated by audit and the same comes to ₹ 8,210 crore (**Annexure-I)** and ₹ 1,394.53 crore {**Annexure-II (a) and (b)**} respectively. Had the Cabinet decision been implemented, DoT would have earned this revenue. However, the order on spectrum sharing has not been issued by DoT (October 2014).

5. The Wireless Planning and Coordination (WPC)/Wireless Monitoring Organisation (WMO) wing of DoT is responsible for allotting the frequency spectrum and monitoring the frequency spectrum. There was no system existing in the WPC/WMO wing of DoT to ensure that none of these UAS/CMTS licencees share the spectrum assigned to them. Further, DoT didn't establish any mechanism to ensure the compliance of this requirement by the UAS/CMTS licencees. WMO to an audit query informed (June 2013) that the equipment to undertake the scrutiny of utilization of the allocated spectrum by the licencees have not been procured by DoT, though the proposal for the procurement of such equipment was submitted several years ago.

6. On above issues being pointed out by Audit (July 2013), DoT replied (August 2013)

(i) UAS licence condition 2.2. (a) (i) also inter-alia provides that the licencee shall be free to enter into an agreement with other service providers in India or abroad for providing roaming facilities to its subscribers under mobility services unless advised/directed by licensor otherwise. Roaming was already permitted under the licence conditions within India and it does not distinguish between intra-service area roaming and inter-service area roaming facility.

- Reply of DoT is not tenable as licence means permission for carrying out activities as explicitly permitted in the licence. Therefore, anything not clearly mentioned in licence is not permitted. This may also be seen by the fact that the operators in their ISAR agreement have quoted DoT's amendment dated 12 June 2008 as authority for the agreement stating that "DoT vide its notification No 842-725/2005-269 dated 12 June 2008 has permitted the establishment of ISAR Services between network operators, whereby a subscriber provided with Services in one telecom circle by one of the network operators can also gain access to the Services of any of the other network operators within the same telecom circle." This clearly indicates that ISAR was enabled only after this amendment of the licence.

Moreover, as per accepted definition of roaming, these arrangements are meant for providing connectivity during movement of a subscriber outside the area of home network as detailed earlier.

(ii) The provision of ISAR facilities by licenced operators increased competition and resulted in reduction of tariff and efficient use of spectrum and also ensuring the continuity of the services to the customers in the areas within the LSA where the spectrum could not be allocated due to unavailability despite payment of the entry fee to the Government and as there was no bar in the licence conditions about entering into ISAR arrangement by various service providers, a clarificatory amendment was issued which was in "public interest".

- Stand of DoT is not tenable as the outcome of ISAR as explained by DoT cannot be taken as justification for irregular amendment of licence. The reasons cited by DoT are afterthought as these were not mentioned in the note for approval of amendment. Further, the reply of DoT is an admission that paucity of spectrum was overcome by ISAR which confirms audit view that ISAR was to facilitate spectrum sharing. Moreover, even for matters of public interest "due process" has to be followed.

iii) In case of ISAR, the core network of visited licencee is used while in case of spectrum sharing the core network of home licencee would be used. ISAR and sharing of spectrum are basically two different technical concepts and do not require any clarification. In case of ISAR, the visitors' network is used to ensure the continuity of the services already available in the home network while for spectrum sharing, both the entities must have spectrum in that particular area.

- Stand of DoT is not acceptable as

  ✓ In terms of ISAR agreement, "The parties shall ensure that calls of the Roaming Subscriber would be routed back to the Home Public Land Mobile Network (HPLMN)". This implies that the home network is also used during ISAR.

  ✓ Further, ISAR agreements have also been entered into for those areas where both the operators are in possession of spectrum. Since amount of spectrum held with an operator is equivalent to certain number of wireless communication channels, therefore, the above arrangements between operators implies that the wireless channels of the visitor operators network could be used if all wireless channel of home operators network were busy in that area. Hence, spectrum sharing has been facilitated by DoT through ISAR.

  ✓ The agreements also provide for traffic projections of contracting operators with a provision for increase in sites to meet increased traffic. This is indicative of joint planning of network to facilitate communication channels for combined traffic of two operators.

iv) Although WMO can monitor 'Spectrum Occupancy and its utilisation', there is lack of facility to identify the service provider owning the signal. WMO initiated process to procure monitoring equipments for identification of signals and this process is in progress.

- DoT's response is indicative of casual approach of DoT towards putting in place a mechanism to monitor the usage of spectrum by the UAS/CMTS licencees. Despite lapse of more than twenty years since allotment of spectrum for commercial public telephony (1994), monitoring equipment for identification of signals has not been procured.

Thus an amendment on Intra-service Area Roaming was issued by DoT without undertaking detailed analysis of the issues involved, its impact on the roll out obligations of the new licencees and financial implications etc. Further, the recommendations of TRAI was not sought on proposed amendment even though TRAI was mandated to give recommendation on terms and conditions of licence. The amendment facilitated indirect sharing of spectrum by the telecom service providers without making any payment.

2.3 Hasty merger of Chennai Metro and Tamil Nadu Telecom Circles

Merger of Chennai Metro and Tamil Nadu Telecom Circles without any cost benefit analysis of the proposal in 2005 for the CMTS/UAS Licence resulted in undue benefits to the select Telecom Operators.

Government of India awarded (November 1994) eight Cellular Mobile Telephone Service (CMTS) licences for the Metro cities[18] of Delhi, Mumbai, Kolkata and Chennai to eight companies[19], initially for ten years, which was later extended to 20 years[20]. Subsequently, 34 CMTS licences of 18 Territorial Telecom Circles were also issued to 14 companies during 1995 to 1998. Accordingly, in the States of Tamil Nadu, West Bengal, Maharashtra and Uttar Pradesh, there were two telecom circles within the state for the purpose of CMTS e.g. Chennai Metro & Tamil Nadu (TN), Kolkata Metro & West Bengal (WB), Mumbai Metro & Maharashtra and UP (East) & UP (West). Subsequently, when Unified Access Services (UAS) Licence was introduced (November 2003), the Service Areas (SAs) as applicable in CMTS were taken as reference for UAS licence.

[18] two for each metro

[19] Delhi SA{ Bharti Cellular (now Bharti Airtel) & Sterling (now Vodafone)}, Mumbai SA {BPL Mobile (now Loop Mobile) & Hutchison Max(now Vodafone)}, Chennai SA {RPG Cellular (now Aircel) & Skycell(now Bharti Airtel} and Kolkata SA {Modi Telestra (now Bharti Airtel) & Usha Martin(now Vodafone)}

[20] The licence period of CMTS operators was increased to 20 years under the New Telecom Policy – 1999, which was effective from 1st April, 1999.

Audit observed that in November 2004, the then Minister of Communication and Information Technology (MoC&IT) desired the licensing branch of the Department of Telecommunications (DoT) to consider the merger of Licences for Chennai and TN Service Areas (SAs) as well as for Mumbai Metro & Maharashtra SAs, Kolkata & WB SAs and UP (E) & UP (W) SAs so as to have a policy review on this issue. Accordingly, the issue regarding merger of the two CMTS/UAS Licences in these four states was initiated in DoT. However since there were issues relating to merger of these SAs with respect to Spectrum availability, Entry fee, Licence Fee etc., the merger was deferred by DoT. However, in September 2005, DoT decided to merge the SAs of Chennai Metro & TN with immediate effect for the purpose of CMTS/UAS licences.

Scrutiny of records relating to merger of Chennai Metro and Tamil Nadu Circle at DoT revealed the following shortcomings in the processing of the case:

- The proposal for merger of Chennai Metro & TN SAs was considered by the Government for removal of the aberration which had arisen due to creation of two circles in a State. However, the so-called anomaly was removed in only one State ignoring the subscribers of other three major States since these cases were not initiated by DoT despite a lapse of more than nine years since merger of erstwhile TN and Chennai SAs. As a result, the subscribers of these three States continued to be denied the benefits of merger. There was nothing on the file to show as to why the proposal for merger of Chennai Metro & TN SAs only was being put up.

- The order dated 15 September 2005 on Merger for the CMTS/UAS Licence in TN stipulated that “the effective date for the merged licence shall be same as that of existing Licences. However, in case the effective dates of existing Licences are not the same; the effective date of the Licence later in date shall be the effective date for the merged Licence.” Audit observed that

    - ✓ The issue of extension of the licence period was neither examined nor proposed in the note put up for approval of the competent authority on 12 August 2005 by the officials of DoT, but later on included in the office order issued on 15 September 2005. Further, even while putting up the draft notification for merger, the issue of extension of licence period was not specifically brought out in the noting. Also, cost benefit analysis of the proposal for extension of effective date of licence period due to merger of licences had not been done though decision had bearing on Government revenues due to extension of effective date of licence and the same was effected without levying any additional fee.

- ✓ In consequence of the above order, the first beneficiary was M/s Bharti, whose licences for Chennai Metro and TN SA was merged during January 2007[21]. In case of M/s Bharti Cellular Limited for Chennai SA, the effective date of licence was November 2014 and for TN SA the effective date of licence was September 2021. Since the validity of the merged Licence for TN SA of M/s Bharti became September 2021, the UAS Licence for Chennai SA was extended from November 2014 to September 2021 (i.e. for 7 years) prematurely before expiry of licence period, without any additional cost. Had the licence been extended at the time of expiry i.e. during November 2014, the cost of extension of licence period would have been ₹ 499.35 crore i.e. the cost of spectrum of 9.2 Mhz (6.2 Mhz in 900 MHz band and 3 Mhz in 1800 MHz band) held in Chennai SA for extended seven years - ₹ 499 crore[22] and the entry fee for licence for extended seven year period - ₹ 0.35 crore[23].

- ✓ The order dated 15 September 2005 stipulated that licence fee of the merged TN service area would be 10 *per cent* of Adjusted Gross Revenue. However for the licencees who were paying Licence fee at the rate 8 *per cent* [24] in TN Service area, the Licence fee was fixed to 9 *per cent* (instead of 10 *per cent*) for the period from 1 October 2005 to 31 March 2008. The financial implication due to this reduction of Licence fee was calculated by Value Added Service (VAS) wing of DoT as ₹ 3–5 crore annually, but details of which were not available on record.

- ✓ Incidentally, the issue regarding levy of spectrum usage charge (SUC) as a percentage of the adjusted gross revenue (AGR) paid to the Government was also not clarified for those cases where the amount of spectrum held by the Licencee for both erstwhile TN and Chennai SAs were different since the percentage of SUC charges to be levied depends upon the quantum of spectrum held by the Licencee in both the service areas. In the case of M/s Aircel limited (TN SA) & M/s RPG Cellular Services Ltd (Now M/s Aircel- Chennai SA) their spectrum holding at the time of issue of order was 9.8 MHz and 6.2 Mhz respectively and they were falling under different slabs prescribed for SUC[25], however, the order

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[21] In other cases of merger which held between 2007 to 2010 i.e. M/s Reliance Communications Limited, M/s Tata Teleservice Limited & M/s Bhart Sanchar Nigam Limited, effective date of licence of Chennai SA and TN SA were same, therefore, no issue of extension of licence period.

[22] Auction of spectrum for Chennai SA was not held in February 2014 due to merger, therefore, similar size Kolkata Metro spectrum was auctioned in February 2014 was considered for calculation. Per MHz auction price for 900 Mhz and 1800 Mhz band for Kolkata SA was ₹ 194.63 crore and ₹ 73 crore respectively for 20 years. Hence, proportionate 7 year cost for 6.2 Mhz spectrum in 900 Mhz band and 3 Mhz spectrum in 1800 Mhz band comes to ₹ 422.35 crore and ₹ 76.65 crore respectively.

[23] As per Unified License guideline issued during August 2013, entry fee for licence of one service area for 20 years is ₹ 1 crore except for NE and JK(entry fee for NE and JK ₹ 0.5 crore). Hence, proportionate 7 year extension cost of licence comes to₹ 0.35 crore.

[24] At the time of merger, Licence fee in TN circle was 10 *per cent*, however in respect of 1st and 2nd CMTS operators, licence fee was 8 *per cent* for the period from 01 April 2004 to 31 March 2008 due to 2 *per cent* relaxation given to them.

[25] In cases of merger which held between 2007 to 2010 i.e. M/s Reliance Communications Limited, M/s Tata Teleservice Limited & M/s Bhart Sanchar Nigam Limited, spectrum allocated to them for Chennai SA and TN SA were same, therefore, no issue of different percent of SUC arises.

did not prescribe the SUC percentage payable by them in case of merger. Moreover, DoT has already given in principle approval (October 2013) for merger of the two licences of M/s Aircel.

- Further, the merger had an impact on a wide range of issues such as entry fee, licence fee, spectrum availability and levy of spectrum usage charges as discussed above. However, recommendations of TRAI were not sought for before taking the decision for making amendments in the licence agreement regarding reduction in the LF and extension of licence period though these were part of licence conditions. This was inspite of the fact that TRAI was mandated to give recommendation on terms and condition of licence as per section 11(1)(a)(ii) of TRAI Act 1997. DoT had changed the terms and conditions of the UAS/CMTS licence by merging the two SAs without any reference to TRAI and no reasons were recorded in the internal noting of DoT for not referring to TRAI especially as this would have implications in other remaining circles.

- Besides, these issues involved financial implications also, therefore, the Finance Division of DoT, Member (Finance) and MoF should have been consulted in the matter before finalizing the decision. However, the views of the Finance were not available on records. The Cabinet, in its meeting on 31 October 2003 had, inter-alia, decided that spectrum pricing would need to be decided mutually between DoT and MoF so as to provide incentive for efficient use of spectrum as well as disincentive for sub-optimal usage. Hence the issue of the aforesaid order dated 15 September 2005 by DoT without any consultation with MoF, which inter-alia permitted to extension of validity of spectrum allotted without any cost, was inappropriate and contrary to the Cabinet decision.

Thus after having deferred the initial decision of merger on account of issues relating to Spectrum availability, Entry fee, Licence Fee etc., DoT took decision (August 2005) for merger of Chennai Metro and Tamil Nadu Telecom Circles without any cost benefit analysis of the proposal for the CMTS/UAS Licence which resulted in undue benefits to the select Telecom Operators. The matter was neither referred to TRAI nor consulted with Finance Division of DoT, Member (Finance) and MoF before taking the decision.

The matter was brought to the notice of DoT (May 2014); the reply of DoT is still awaited (March 2015).

2.4 Undue favour to CDMA licencees

Despite TRAI's recommendations and approval of the EGoM, DoT decided not to auction the 800 MHz spectrum for EVDO services in 2010 though CDMA operators were providing 3G EVDO services with the available 2G spectrum (800 MHz) without liberalisation of spectrum. This resulted in non-realisation of upfront charges and undue favour to the CDMA licencees

Department of Telecommunications (DoT) sought recommendations from the Telecom Regulatory Authority of India (TRAI) in May 2006 on the methodology for allotment of spectrum for 3G services and its pricing aspects. TRAI, in their recommendations of 27 September 2006 on allocation and pricing of 3G spectrum not only identified 2.1 GHz band for 3G services, but also recommended auctioning of 800 MHz band dedicated for EVDO[26] services as 3G Telecommunication services. DoT's Guidelines for auction and allotment of spectrum for 3G Telecommunication services and revised Information Memorandum (IM) published in August 2008 and October 2009 respectively also gave clear indications for auctioning the spectrum in 800 MHz during February 2010. In the course of audit of records relating to the auction of 3G spectrum in DoT, it was observed that:

TRAI, in its response to DoT's letter dated 9 January 2009 on the issue of reserve price for EVDO carrier in 800 MHz band, had very categorically stated that "since the spectrum efficiency in 800 MHz band, which would be used for EVDO services, is similar to the 3G spectrum in the 2.1 GHz band, the reserve price for per MHz spectrum in these two bands should be same. Therefore, the reserve price of auction of one block of 2x1.25 MHz of spectrum in 800 MHz band shall be 25 *per cent* of reserve price for 2 x 5 MHz in 2.1 GHz band." TRAI while giving its comments on the issue had recommended (23 January 2009) that "In case the auction for spectrum in 800 MHz band is held simultaneously with the auction of spectrum in 2.1 GHz band, the reserve price for 2x1.25 MHz of spectrum in 800 MHz band will be 25 *per cent* of the reserve price of 2x5 MHz 2.1 GHz spectrum band and the successful bidder shall pay the highest bid amount for 2x1.25 MHz spectrum in 800 MHz band or prorated amount in 2.1 GHz band, whichever is higher".

EGoM, constituted with the approval of Prime Minister in July 2009, in its first meeting (31 July 2009) on Auction of 3G spectrum concluded, during deliberation on reserve price for spectrum auction for EVDO services, that the spectrum efficiency of EVDO was similar to that of 3G and in its second meeting held on 27 August 2009 decided that the reserve price per MHz of EVDO spectrum in 800 MHz band should be the same as the price per MHz of 3G spectrum in 2.1 GHz band and arrived at a pan India reserve price for one block of 2x1.25 MHz of EVDO spectrum in 800 MHz band as ₹ 875 crore.

[26] Enhanced Voice-Data Optimized (EVDO) is a telecommunications standard for the wireless transmission of data through radio signals typically for broadband Internet access

From the above, it is evident that TRAI, DoT and even EGoM were of the view that 800 MHz band, which would be used for EVDO services, was similar to the 3G spectrum in the 2.1 GHz band, therefore, pricing of both should be similar.

However, at the time of the finalization of Draft Notice Inviting Applications (NIA) in January 2010, the MoC&IT (Ministry of Communication and Information Technology) decided not to auction EVDO carriers in 800 MHz band inter-alia on the ground that the present UAS licence condition did not prohibit provision of EVDO services by the existing CDMA operators and that TRAI had recommended in August 2007 that spectrum in 800, 900 and 1800 MHz band should not be auctioned.

Audit observed that the justification given by DoT for not auctioning 800 MHz that "UAS licence condition did not prohibit provision of EVDO services by the existing CDMA operators", was incorrect as DoT adopted two different yardsticks for provision of 3G services by GSM and CDMA operators. GSM Operators who were allotted 2G[27] spectrum in 900/1800 MHz band were not allowed to provide 3G services with the available 2G spectrum and participated in the 3G auction to purchase 3G spectrum in 2.1 GHz by paying upfront charges. Like GSM operators, CDMA Operators were also allotted 2G spectrum in the 800 MHz band during 2000 to 2008 which was bundled with the 2G licence. However, the CDMA operators were providing EVDO services[28] since 2006 with the 2G spectrum (800 MHz band) available with them, which were not objected to by DoT.

DoT's stand that TRAI had recommended in August 2007 that spectrum in 800, 900 and 1800 MHz band should not be auctioned was out of context as the TRAI's recommendations of August 2007 was in respect of 2G services and later recommendations of the TRAI in January 2009 had even recommended the reserve price of the spectrum for auction of spectrum in 800 MHz band for EVDO services. Even earlier in September 2006, TRAI had recommended for auction of spectrum in 800 MHz band for EVDO services. Further, DoT's Guidelines for auction and allotment of spectrum for 3G services and revised IM published in August 2008 and October 2009 respectively also indicated auctioning one block of 2x1.25 MHz spectrum in each of the circles where atleast two carriers of 2x1.25 MHz were available in 800 MHz for EVDO services.

In the NIA dated 28 September 2012 for auction of spectrum in 1800 MHz and 800 MHz bands and NIA dated 30 January 2013 for auction of spectrum in 1800 MHz, 900 MHz and 800 MHz bands, it was clearly mentioned that "Existing Licencees will be allowed to use the additional spectrum block(s) allotted through this auction to deploy any technology

[27] 2G (Second Generation) service focuses on voice communication and data with limited speed while 3G (Third Generation) systems support voice as well as increased data communication, mobile Internet access, entertainment and triple-play converged communications services.

[28] BSNL, Reliance and Tata have been providing EVDO services since 2006, 2007 and 2008 respectively.

by combining with their existing spectrum holding in the same band after converting their entire existing spectrum holding into liberalised spectrum in the same band as per the terms and conditions to be specified". It was also mentioned that "Existing CMTS/UAS licencees can liberalise their existing spectrum holding in 1800 MHz band after payment of auction determined price". The 800 MHz spectrum, however, went unsold in November 2012 and was sold to the single bidder (SSTL) in March 2013 auction after the reserve price was slashed by 50 *per cent* in view of lack of response in previous auction.

Audit, however, observed that while GSM operators had to separately buy 3G spectrum or had to pay for liberalisation of existing 2G spectrum (1800 MHz) for providing 3G services on 2G spectrum (1800 MHz), the same yardstick was not made applicable to 800 MHz spectrum holders (CDMA licencees) despite the fact that both the 1800 MHz and 800 MHz spectrum allocated before November 2012 and March 2013 was bundled with 2G licence. Thus, lack of response/lukewarm response to auction of 800 MHz spectrum in March 2013 needs to be seen in the backdrop of EVDO services already being provided by all the three incumbent CDMA operators on their 2G spectrum (800 MHz) without any extra cost.

The spectrum in 800 MHz allocated to the CDMA operators[29] prior to auction of November 2012/March 2013 was not liberalized i.e. not technologically neutral. However the CDMA operators were allowed to deploy EVDO technology (a 3G service) using existing spectrum. They could be allowed to do so only after conversion of their entire existing spectrum holding in 800 MHz band into liberalized spectrum. Incidentally, it was confirmed (November 2013) by Bharat Sanchar Nigam Limited (BSNL) that they were providing EVDO services with the existing 800 MHz spectrum since 2006. Further, Reliance Communications Limited (RCL)/Reliance Telecommunications Limited (RTL) and Tata were also providing EVDO services with the available 800 MHz spectrum since 2008/2009 which was in violation of the licence conditions of the operators.

Hence, before allowing them to provide EVDO service using the existing spectrum, an amount of ₹ 9,626 crore[30] was liable to be recovered from these CDMA operators providing EVDO services based on the bid/reserve price of the 2013 auction[31] for pan India 800 MHz spectrum for block size of 2 x 1.25 MHz, valid for 20 years as indicated in **Annexure-III.**

In response to the preliminary observations issued (November 2013) by audit, it was replied (March 2014) by DoT that

[29] RCL/RTL, Tata and BSNL have been providing EVDO service in 15, 19 and 20 Service areas respectively.

[30] As per the information available BSNL, Tata and Reliance had launched EVDO services during 2006 to 2009. In the absence of exact date of start of EVDO service, the amount has been calculated on conservative basis w.e.f. 01 September 2010 i.e. the date of right to commercially use 3G spectrum.

[31] The reserve price of spectrum in 800 MHz band for 2013 auction was 54.33 *per cent* lower than the per MHz price of 3G spectrum in 2010 auction.

- EVDO service in CDMA is not akin to 3G service.

The contention of DoT was not correct as TRAI (September 2006 and January 2009), DoT (August 2008 and October 2009) and even EGoM (July-August 2009) were of the view that 800 MHz band, which would be used for EVDO services, was similar to the 3G spectrum in the 2.1 GHz band and should be priced on par.

- So far as non-liberalisation of 800 MHZ band spectrum is concerned, TRAI in its recommendations of April 2012 has recommended for liberalization of existing spectrum in 1800 MHz band only and added that Government had taken a decision that existing CMTS/UAS/UL(AS) licencees can liberalize their existing spectrum holding in 1800 MHz band after payment of auction determined price and the same was incorporated in the NIA issued on 28 September 2012 and 30 January 2013. Since TRAI has not recommended for liberalization of existing spectrum in 800 MHz band, it was not done so.

It is correct that TRAI has not recommended for liberalization of 800 MHz band, but DoT, being the licensor and the administrator of the Spectrum should have referred back the matter to TRAI for getting their view on liberalisation of the spectrum in 800 MHz band also as EVDO services provided by CDMA operators are akin to 3G services given by GSM operators. Further, auction for spectrum in 800 MHz and 1800 MHz bands were conducted simultaneously during November 2012 and March 2013 but option for liberalization was available for 1800 MHz band only.

Thus, DoT adopted two different yardsticks for the GSM and the CDMA operators by not objecting to the provision of EVDO services by the CDMA operators with the available spectrum in the 800 MHz band which were similar to the 3G services. The fact that for giving similar facilities (3G services) GSM operators were required to participate in the auction and purchase the 3G spectrum confirms that the CDMA operators were given undue benefit by allowing them to provide EVDO services with the available 2G spectrum in 800 MHz band. Moreover, the decision of DoT not to auction the 800 MHz spectrum for EVDO services in 2010, inspite of TRAI's recommendations and approval of the EGoM, was also imprudent and had resulted in undue benefit of ₹ 9,626 crore to the CDMA operators.

The matter was referred by audit in April 2014 and the reply of DoT was still awaited (March 2015).

2.5 Undue favour to operators using dual/multiple technology

Pursuant to TRAI's recommendations (August 2007), DoT granted telecom licences for dual technology in October 2007 but failed to implement TRAI's recommendations to levy Spectrum Usages Charge for the combined total of spectrum allocated in different technology in specific bands resulting in undue benefit to the licencees to the extent of ₹ 882.06 crore (2009-10 to 2013-14).

In terms of National Telecom Policy (NTP)-1994, the first phase of liberalization in mobile telephone service started with issue of 8 licences for CMTS in the 4 metro cities of Delhi, Mumbai, Calcutta and Chennai to 8 private companies in November 1994. Subsequently, 34 licences for 18 Territorial Telecom Circles were also issued to 14 private companies during 1995 to 1998. In 1997 and 2000, licences were granted to MTNL and BSNL as 3rd operator. Based on competitive bidding, 17 new CMTS Licences were issued as 4th operator in 2001. Subsequently, 51 UAS licences were issued during 2004-07 on first come first served basis on the basis of application. In 2007-08, four telecom operators[32] were also issued dual technology licences[33] on acceptance of TRAI's recommendations in August 2007.

Audit had pointed out in Para 4.8 of the Performance Audit Report on the "Issue of Licences and Allocation of 2G spectrum[34] that Dual Technology was introduced by DoT in October 2007 in a hasty and arbitrary manner and in-principle approval was given to three operators on a day prior to the announcement of the policy, which gave the perception of discrimination against other players in the field. It was also stated that the decision was in contravention of the Cabinet decision of 2003 resulting in additional spectrum being allotted to certain operators at 2001 price.

TRAI, in its recommendations dated 28 August 2007, had recommended that for licencees migrating to dual/multiple technology (GSM, CDMA and or any other) under the UASL framework, the slab of Spectrum Usage Charge (SUC) would be determined by the combined total of spectrum allocated in different technology specific bands, after a moratorium of one year from the date of assignment of spectrum for second technology. This would have been the same treatment as accorded to a merged entity from the merger of two licencees using different technologies.

Audit scrutiny (March 2013) of the records pertaining to allocation of spectrum revealed that though DoT accepted TRAI's recommendations regarding grant of dual technology licence and issued letters communicating 'in principle approval' for use of dual technology to the licencees within two months, the recommendation regarding the fixation

[32] M/s Tata Teleservices, M/s Reliance Communications Ltd, M/s Shyam Telelink Ltd and M/s HFCL Infotel Ltd.

[33] A licensee using one technology is permitted on request, usage of alternative technology and allocation of dual spectrum.

[34] Report No. 19 of 2010-11

of SUC had not been implemented as of October 2014 without specifying any reasons on the record. DoT thereby gave undue benefit to four operators using dual/multiple technology (M/s Tata Teleservices Ltd, M/s Reliance Communications Ltd, M/s Shyam Telelink Ltd and M/s HFCL Infotel Ltd.), as these operators were paying SUC based on the separate allocated spectrum for different technology instead of spectrum usage charges based on combined total of spectrum.

Scrutiny of records pertaining to two major operators viz., M/s Reliance Communications and M/s Tata Teleservices Private Limited revealed that the spectrum for the second technology (GSM) was allocated to these operators during January 2008 and March 2008-April 2009 respectively. Non-implementation of TRAI recommendation to determine SUC for the combined total spectrum allocated in different technology in specific bands, resulted in undue benefit of ₹ 416.99 crore and ₹ 465.07 crore respectively to M/s Reliance Communications during FY 2009-10 to FY 2013-14 and M/s Tata Teleservices during FY 2010-11 to FY 2013-14 after considering one year moratorium from the date of assignment of spectrum for second technology **(Annexure-IV and V)**.

Thus, due to non-implementation of TRAI recommendations to levy spectrum charge based on the combined total of spectrum allocated for licencees using dual/multiple technology, resulted in undue benefit of ₹ 882.06 (416.99+465.07) crore to M/s Tata Teleservices and M/s Reliance Communications.

The matter was referred by audit in January 2014 and the reply of DoT was still awaited (March 2015).

2.6 Inordinate delay in issue of demand letters to eight telecom licencees

Department of Telecommunications did not raise demands on eight licencees, whose telecom licences were quashed and cancelled and who continued operations after 02 February 2012, despite the Hon'ble Supreme Court of India ruling that they should pay the reserve price fixed by the Government for the purpose of conducting auction in November 2012, leading to non realization of ₹ 2,117.88 crore from eight licencees. The licences of those licencees who did not bid or did not win in the auctions were also not cancelled timely.

In terms of the Hon'ble Supreme Court (SC) judgment dated 2 February 2012, 122 licences of nine telecom companies granted to the private respondents on or after 10 January 2008 pursuant to two press releases issued on 10 January 2008 and subsequent allocation of spectrum to the licencees were declared illegal and quashed. The direction was to be operative after four months. TRAI was also directed to make fresh recommendations for grant of licence and allocation of spectrum in 2G band in 22 service areas by auction. It was further ordered that the Central Government shall consider the recommendations of TRAI and take appropriate decision within next one month and fresh licences be granted by auction.

The Hon'ble SC had, from time to time, extended the time for completion of the auction in view of exigencies reported by Department of Telecommunications (DoT). Hon'ble SC in its judgment dated 15 February 2013 directed that

- "Such of the licencees, who continued operation after 02 February 2012, whether or not they gave bid in the auction conducted on 12 November 2012 and 14 November 2012, shall pay the reserve price fixed by the Government for the purpose of conducting auction in November 2012.

- The licencees who did not give bid in the auction conducted on 12 November 2012 and 14 November 2012 or who remained unsuccessful shall forthwith discontinue their operations in the concerned circles/areas and the successful applicants should be allowed to operate in those circles/areas."

During auction of 2G spectrum in 1800 MHz/800 MHz band held in 12/14 November 2012 and subsequently in March 2013, out of nine operators whose licences were quashed, only five operators participated and three of them won the spectrum in the auction as detailed below:-

Sl. No.	Name of Companies	No. of Licences quashed	Whether participated in the auction held in Nov'12	No of Service Area where licencees won spectrum in the auction in Nov'12	Whether participated in the auction held in Mar'13	No of Service Area where licencees won spectrum in the auction held in Mar'13
1	Unitech Wireless Ltd (UWL)	22	No	Nil	No	Nil
2	Telewings Communication Service Pvt. Ltd (TCSPL)[35]	Nil	Yes	6	No	Nil
3	Loop Telecom Ltd	21	No	Nil	No	Nil
4	Videocon Telecommunications Ltd (VTL)	21	Yes	6	No	Nil
5	Sistema Shyam Teleservices Ltd (SSTL)	21	No	Nil	Yes	8
6	Etisalat DB (Swan)	15	No	Nil	No	Nil
7	Idea Cellular Ltd (ICL)	9	Yes	7	No	Nil
8	S-Tel Pvt Ltd	6	Yes	Nil	No	Nil

[35] M/s Telewings Communication Service Pvt. Ltd (TCSPL) was incorporated as a company on 24 February 2012 and participated in the 2G auction held on 12-14 November 2012 as a "New Entrant". Telenor Norway the principal beneficial owner of TCSPL, had earlier taken 67 *per cent* share in the Unitech (whose license was cancelled).

Sl. No.	Name of Companies	No. of Licences quashed	Whether participated in the auction held in Nov'12	No of Service Area where licencees won spectrum in the auction in Nov'12	Whether participated in the auction held in Mar'13	No of Service Area where licencees won spectrum in the auction held in Mar'13
9	Spice Communications Ltd (SCL)	4	Yes	Nil	No	Nil
10	Tata Teleservices Ltd (TTSL)	3	No	Nil	No	Nil
	Total	**122**		**19**		**8**

(Source: SC's judgment dated 2 February 2012 and DoT's records)

Audit observed that DoT had not raised any demand even after lapse of more than 19 months (till September 2014) from the order (February 2013) of the Hon'ble Supreme Court of India to realize the reserve price due from eight operators as indicated in **Annexure VI**. The total amount recoverable from the eight operators[36] who continued operations beyond 02 February 2012 in terms of the orders of the Hon'ble Supreme Court worked out to ₹ 2,117.88 crore calculated on the basis of reserve price fixed by the Government for the purpose of conducting auction in November 2012 as indicated in **Annexure-VI**.

Despite the direction of the Supreme Court that the licencees, who did not participate in the auction or who remained unsuccessful shall forthwith discontinue their operations in the concerned Service Areas, Unitech Wireless Ltd and Sistema Shyam Teleservices Ltd continued their operations in six[37] and 21[38] service areas respectively even after Supreme Court's judgment on 15 February 2013. Further, DoT had not initiated any action to cancel the licences and to withdraw the assigned spectrum from the operators who did not bid or did not win in the auctions as per the Hon'ble Supreme Court Order.

On (June 2013) queried about the action taken for cancellation of licence/withdrawal of spectrum from the quashed licencees and discontinuation of the operation by the licencees who did not participate in the auction, it was replied (July 2013) that "The action for disconnection of Point of Interconnection (POI) was processed and put up for legal vetting. Legal advisor opined that "it is gathered during discussion that the quashed licencees in question, have not yet been intimated of SC order dated 15 February 2013. At the first instance, we may intimate them and ascertain whether they have stopped operations forthwith in compliance of SC Order dated 15 February 2013." It was also stated that "In compliance of SC orders, it was discussed during the meeting that as the licencees were respondent in these matters, onus of compliance lies with them."

[36] One operator M/s Spice had not launched service in all four service areas where licenses were quashed by Hon'ble Supreme Court.

[37] Maharashtra, Gujarat, Andhra Pradesh, UP(West), UP(East), and Bihar

[38] All Service Areas except Rajasthan

Reply of DoT (July 2013) is not tenable as DoT, being not only the main respondent in the case but also being the licensor of telecom services, had the primary responsibility to comply with the Hon'ble Supreme Court order by taking necessary action for cancellation of licence/withdrawal of spectrum. It was therefore evident that no final decision was taken until July 2013[39] by DoT for cancellation/withdrawal of spectrum from the operators who did not participate in the auction. Demand letters for payment of the reserve price, to the operators who continued operation after 02 February 2012 whether they participated or not in the auction held in November 2012/March 2013, have not yet been issued by DoT (October 2014).

Further in September 2014 DoT stated that on reference of the case of one of the quashed licencees, Attorney General of India had advised DoT to issue show-cause notices and to give personal hearing. It further added that show-cause notices were under issue to all the quashed licencees and levy of reserve price would be decided thereafter.

Thus, inaction of DoT to raise demands based on reserve price on eight licencees in accordance with the 15 February 2013 ruling of Hon'ble Supreme Court of India for more than a year and half has led to non-realization of reserve price of the spectrum of ₹ 2,117.88 crore besides those licencees who did not bid/did not win the spectrum have been allowed to continue inspite of Hon'ble Supreme Court's judgement to the contrary.

2.7 Short recovery of Pension contribution

DoT failed to observe the prescribed rules relating to pension contribution in respect of absorbed employees in M/s BSNL which resulted in short recovery of ₹ 707.00 crore from the Company for period from 01 December 2011 to 31 March 2014

Pension Contribution is made to the Government of India on behalf of a Government Servant (at prescribed rates every month) by a Non- Government employer when the Government servant is working on Foreign Service under the Non-Government employer to maintain his claim for Pension from the consolidated fund of India. The Pension Contribution was prescribed (February 1984) based on the maximum of the Pay Scale at the time of proceeding on Foreign Service or to which he may receive on pro-forma promotion while on Foreign Service.

On implementation of 6th Pay Commission[40] from 1 January 2006, Pension Contribution per month in respect of Government employees was revised (November 2009) from maximum of the pay to existing pay at the time of proceeding on foreign service i.e. on

[39] Demand letter has not been issued as yet (October 2014).

[40] Sixth Pay Commission merged 32 pay scales into four elongated pay bands in the Government of India

basic pay (pay in the pay band plus grade pay) or to which he may receive on pro-forma promotion while on foreign service at the prescribed rates under Fundamental Rules. However, there was no change in the existing methodology for those employees governed by Industrial Dearness Allowance (IDA) Scales.

M/s Bharat Sanchar Nigam Limited (BSNL) was created on 1 October 2000 by converting part of Department of Telecom (DoT). At the time of formation of BSNL, Rule 37(A) was incorporated in CCS (Pension) Rules- 1972, under which a permanent Government Servant who is absorbed as an employee of a PSU shall be eligible for pension and other benefits based on the combined service, which shall be paid by the Government of India on payment of Pension Contribution by the Company as provided for under existing FR-116 and 117.

BSNL has two categories of employee's viz. (1) those officials, who were not absorbed in BSNL and remained as Government servants on "deemed deputation" drawing salary under Central Dearness Allowance (CDA) scales and (2) those officials who got absorbed in BSNL drawing salary under Industrial Dearness Allowance (IDA) scales of pay. The revised methodology of Pension Contribution at the rate on 'existing pay' i.e. on pay in the pay band and grade pay was applicable to officials governed under scale for Govt. Servants whereas the Pension Contribution in respect of absorbed employees of BSNL was to be paid at the prevailing rules and rates on the 'maximum of scale' as their scales of pay were not merged into pay bands. Controllers of Communication Accounts (CCAs) of DoT located in the circles are responsible for collection of the Pension Contribution from the respective BSNL circles.

Scrutiny of records in BSNL and DoT (February/March 2014) revealed that BSNL was paying Pension Contribution (up to November 2011) for its erstwhile DoT employees absorbed in BSNL at prescribed rates on the 'maximum ' of pay under FR 116 and 117. From 1 December 2011, the Management of BSNL decided to pay the Pension Contribution on the existing pay i.e. basic pay in the Industrial Dearness Allowance (IDA) scale to DoT though the instructions issued in OM dated 19 November 2009 by the Department of Personnel and Training relates to the employees drawing pay in the Central Dearness Allowances (CDA) scales i.e. basic pay in pay band plus grade pay. This had resulted in short recovery of ₹ 707 crore on account of Pension Contribution.

Simultaneously, BSNL took up matter repeatedly with DoT to extend the benefit of payment of Pension Contribution as per the revised methodology at 'existing' pay available to Government Employees, the same has however been turned down by DoT in consultation with MOF (DoE), DoPT, DoP and PW etc., in February 2010 and subsequently in (November 2013) on the premise that the OM dated 19 November 2009 applicable to Govt. employees was not applicable to employees of BSNL as the Pension

Contribution of BSNL employees was to be paid as per prevailing rules at the prescribed rates on the maximum of scale under Rule 37 (A) incorporated in CCS (Pension) Rules 1972.

On being pointed out, DoT in its reply admitted (October 2014) that the matter was taken up with DoPT and DoE in 2011 and 2012 and final reply from DoE was still awaited. However, BSNL and CCA units of DoT were directed to recover full pension contribution in case of retiring employees before finalization of their terminal benefits pending final decision on the issue.

Thus, DoT has thereafter failed to recover Pension Contribution in respect of DoT employees absorbed in BSNL as per prescribed Rules at the 'maximum' of the scale applicable to Non-Government employees under FR-116 and 117. This has resulted in short-recovery of Pension Contribution amounting to ₹ 707 crore for the period between 1 December 2011 to 31 March 2014 along with interest due thereon as prescribed under SR-307.

2.8 Lack of due diligence in auction of spectrum for Broadband Wireless Access (BWA) Services

The NIA for BWA Auction suffered from deficiencies in scope of usage of spectrum for different class of Licencees. The UAS/CMTS and ISP operators were allowed to bid for the same BWA spectrum while the usage of spectrum was governed by their respective licences. This led to post-auction demand by M/s Infotel for network codes which would have enabled them to provide voice services beyond the scope of their ISP licence. DoT facilitated the request by permitting them to migrate to Unified Licence after the auction. This migration, allowed at prices discovered in 2001, resulted in undue advantage of ₹ 3,367.29 crore to M/s Reliance Jio Infocomm (formerly M/s Infotel). It was also seen that even after four years of auction the roll out of BWA services has been negligible.

Introduction

Notice Inviting Applications (NIA) was released by DoT in February 2010, calling for response from eligible bidders for participation in the auction of 3G and Broadband Wireless Access (BWA) spectrum to be held separately. The important objectives of the auction were:-

- Obtain market determined price for the spectrum through a transparent process;
- Ensure efficient use of spectrum and avoid hoarding;
- Stimulate competition in the sector;

- Promote roll out of 3G and Broadband services
- Maximize revenue proceeds

Clauses regarding eligibility/reserve price/spectrum availability in the NIA

The eligibility criteria/reserve price and frequencies of spectrum available for auction of BWA spectrum were as shown below:-

Eligibility for participation	Any entity holding Unified Access Services (UAS)/ Cellular Mobile Telephone Service (CMTS) licence or *Internet Service Provider (ISP) (category 'A' or 'B') licence
Reserve price	Total ₹ 1750 crore for a Pan India block (22 circles) of 20 MHz (unpaired) of BWA spectrum in 2.3 MHz.
Spectrum Blocks available for auction	2 Pan India Blocks (22 circles);BSNL along with MTNL were already allotted a Pan India slot in 2.5 GHz in 2008 with the condition that they will pay the winning price in the auction.

** Any entity that held a UAS/CMTS/ISP (Category A or B) licence or gives an undertaking to obtain a UAS/ISP(Category A) licence through a New Entrant Nominee UAS/ISP licencee, before starting telecom operations, as per DoT guidelines, was also eligible to participate in the auction.*

2.8.1 Deficiencies in Notice Inviting Applications (NIA)

Audit scrutiny (September-November 2013) of the records relating to the auction of BWA spectrum, TRAI recommendations and action thereon taken by DoT revealed the following infirmities in formulation of the NIA :

2.8.1.1 Absence of financial parameters in the eligibility criteria for the bidders

NIA prescribed minimum reserve price of ₹ 1,750 crore for Pan India BWA spectrum allocation. Subsequent rollout of infrastructure required additional investments. In view of large capital requirements it was imperative that NIA should have prescribed a definite set of financial parameters to ensure that entities bidding for providing BWA services had requisite financial strength and capacity.

While recommending (in 2006) that the ISP category A and B are eligible for bidding for the BWA spectrum, TRAI had also added a word of caution that:

"Given that spectrum is a valuable and scarce resource, it is necessary to ensure that only serious and long-term players have access to it. This is especially true since ISP licences are for only Re. 1 and non-serious players might be able to delay allocation or hoard spectrum. Hence, it is necessary to ensure that only serious and well-established ISPs acquire spectrum, because only they will probably have the capacity to invest in and deploy BWA networks."

However, NIA failed to prescribe any financial parameter in eligibility criteria for the prospective bidders. In fact DoT added another category of bidders by stipulating that *"any entity that gives an undertaking to obtain a UASL/ISP category 'A' licence through new entrant nominee UAS/ISP licence before starting telecom operations was also eligible to participate in the auction for BWA spectrum."*

The only financial requirement for the bidders was deposit of an EMD of ₹ 252.50 crore for Pan India licence (22 circles). The EMD was fixed for each circle and bidders were to deposit EMD according to number of circles they were bidding for. While NIA had prescribed submission of financial details of the bidder in the prescribed application format for BWA auction which included Equity details, Paid-up capital, Net-worth and Promoters/Partners/Shareholders in the Company, these details were not used for assessing the financial strengths of the applicant, which was necessary to judge the capability of the successful bidders to meet the roll-out obligations prescribed in the NIA.

Subsequent to the release of NIA, all 11 applicants (nine Indian & two foreign companies) were found eligible by DoT to participate in the auction. Of the nine Indian companies, four bidders were UAS licencees, two UAS licencees promoted ISP licencees, two ISP licencees and one new Indian company. While the eight bidders (4 UASL bidders, two UASL promoted ISP licencees, one ISP licencee and one foreign company) submitted their bid for 22 circles, three other bidders (1 ISP licencee, 1 new Indian company and one foreign company) submitted their bids for some of the circles only. Their details as on 31 March 2009 were as under:

Table-1

(₹ in crore)

Sl. No.	Pre-approved applicants	Status/ Licence held	Paid up capital	Net worth (NW)	EMD	Percentage of EMD of NW
1	Augere (Mauritius) Ltd (Augere)	New Entrant (Foreign)	0.037	-0.076	67.50	-88,816
2	Spice Internet Service Provider Pvt Ltd-(Spice)	New Entrant (Indian)	0.01	0.01	42.00	4,20,000
3	Infotel Broadband Service Private Ltd-(Infotel)	ISP	2.51	2.49	252.50	10,141
4	Tikona Digital Networks Private Ltd- (Tikona)	ISP	133.30	126.40	161.25	127.57
5	Aircel Ltd (Aircel)	UASL/ISP	243.24	2,056.87	252.50	12.276
6	Tata Communications Internet Services Ltd (Tata)	ISP promoted by a UASL	285.00	6,590.36	252.50	3.83
7	Vodafone Essar Limited (Vodafone)	UASL/ISP	414.09	1,912.87	252.50	13.20
8	Idea Cellular Limited- (Idea)	UASL	3,100.10	11,070.38	252.50	2.28
9	Bharti Airtel Ltd (Bharti)	UASL/ISP	1,898.48	34,840.13	252.50	0.725
10	Reliance WiMax Limited (Reliance)	ISP promoted by a UASL	1,032.01	42,511.36	252.50	0.594
11	Qualcomm incorporated	New Entrant (Foreign)	40,800.37	97,598.06	252.50	0.26

It may be seen from above that three of the bidders had net worth of less than ₹ 5 crore. The eligibility conditions, therefore, did not ensure requisite financial strength on part of bidders even though substantial investments were required for rollout of BWA services.

DoT responded to the above audit observations stating the following:

(i) The NIA for the auction of BWA spectrum was prepared based on TRAI recommendations and views of Ministry of Finance and had the approval of the Inter Ministerial Committee.

- The fact remains that there was no criteria to assess the financial strength of bidders and to draw assurance about their capabilities to meet rollout obligations.

(ii) The condition in the NIA on obtaining EMD in the form of BG was an effective deterrent for non-serious players in the auction.

- The reply of DoT was not acceptable as furnishing of EMD in the form of BG was a one-time measure with reference to auction. EMD provision was not enough to provide assurance on financial capability of the bidders regarding payment of price of spectrum and rollout of network infrastructure as per the given timeline. Further in fact, as seen from the table that this provision of NIA was rendered redundant with many low net worth companies furnishing EMDs hundred times their net worth. Therefore this provision was not sufficient to judge the financial strength of a company.

(iii) DoT further stated that the eligibility criteria and other conditions of the NIA were shown to CAG as well as CVC.

- As regards DoT's assertion that the eligibility criteria and other conditions were shown to CAG as well as CVC, presence of a representative of the CAG in the mock/demo presentation session on invitation, in-midst of a large gathering cannot be construed as an approval of eligibility criteria and other conditions of the NIA by CAG. The very fact that by that time, bidders had already been pre-approved by the IMC and final list of eligible bidders had already been announced on DoT website, makes it clear that it was more of an exposure session on auction process for Government officials.

2.8.1.2. Absence of lock-in provision

DoT had allowed three categories of bidders viz., UAS/CMTS licencees, ISPs and new entrants to participate in the auction. UASL/CMTS licences had provision of lock-in period whereas ISP licence did not have any such provision and new entrants were required to obtain the licence only after winning the spectrum. However, in spite of having three different categories of bidders, the NIA did not prescribe any uniform provision regarding lock-in period for the winners from all the categories.

DoT in its reply stated (July 2014) that lock-in period was only to ensure that the licencee is a serious player.

The admission by DoT confirms the need for lock-in period. The fact that ISP Category 'A' and 'B' licencees did not have any provision regarding lock-in period and that the new entrants winning the spectrum could take either UASL or the ISP licence, did not provide an assurance that the roll out obligations would be honoured. M/s Qualcomm who was a new entrant won spectrum in four Service Areas and subsequently sold (18 October 2013) the Company without any roll-out. Hence, in the absence of provision for lock-in period, DoT could not ensure that the winning ISP and new entrants would be fulfilling their obligations.

2.8.1.3 Disparity in scope of usage of BWA spectrum

DoT issued guidelines for auction and allotment of spectrum for BWA services (August 2008) which stipulated that *"Spectrum shall be auctioned in the 2.5 GHz and 2.3 GHz bands for data service"*, despite TRAI recommendation of July 2008, wherein it had acknowledged that triple play[41] was technically feasible on most of the BWA technologies. However, the NIA for the auction of BWA spectrum (February 2010) allowed both the UAS/CMTS and ISP operators to bid for BWA spectrum but the usage of spectrum was governed by the scope of the licence of the bidder. Thus, while UAS/CMTS operators were permitted to provide voice services on this spectrum, ISP licencees were not allowed to offer the same due to limitation of their licence conditions.

As NIA allowed voice services on BWA spectrum, provided the licence of the bidder permitted it, this implied different returns from the same spectrum for different class of bidders due to different type of services permitted for them as per their licences. The disparity was there in spite of the fact that all the bidders had paid the same amount for the same spectrum as per the auction discovered price.

Audit's view is also confirmed by the post-auction demand (August 2011) by M/s Infotel, (later known as Reliance Jio Infocomm Limited[42]), an ISP holding BWA spectrum, for Mobile Country Code (MCC) and Mobile Network Code (MNC)[43] Codes to enable them to provide various data and multimedia BWA services using Long Term Evolution (LTE) technology. This was objected to by Telecommunication Engineering Centre (TEC). TEC held (March 2012) that,

"the capability of LTE technology (to be used for providing services using BWA Spectrum) are much wider in scope than what is permitted in the ISP licence and are beyond the scope of the services permitted in the ISP licence. In the scope of the ISP licence, connections to the PSTN/PLMN are not permitted, which essentially means that an ISP licencee cannot connect to a network offering services on PSTN/PLMN network. But the ISP licence is not clear if a licencee can itself set a PSTN/PLMN network for providing only internet services and other services[44] within the scope of ISP licence. Since LTE is a technology, which can be used for providing full-fledged mobile services along with high speed data services, it is possible for an ISP licencee to use LTE for both internet services as well as full-fledged mobile services using LTE subscriber terminal. Currently full

[41] Triple play – voice, video and data

[42] Infotel Broadband Services Private Limited (IBSPL) was a private limited company. It had infusion of additional equity from M/s Reliance Industries Limited, leading to RIL's majority stake in the Infotel. Subsequently it was converted into Public limited company with name Infotel Broadband Services Limited on 19 July 2010. This company was then renamed as Reliance Jio Infocomm Limited (RJIL) on 22 January 2013.

[43] A Mobile Country Code (MCC) is used in combination with a Mobile Network Code (MNC) to uniquely identify a mobile phone operator.

[44] Such as voice services

mobile services were permitted under UAS licence category only. Therefore these aspects may be examined by DoT".

On being pointed out in Audit, DoT replied (July 2014) that although allocation of MCC and MNC codes can technically enable an operator to set up a Public Land Mobile Network (PLMN), no operator could have offered services beyond the scope of respective licence.

This argument of DoT is not tenable since the ISP licencee was seeking MCC and MNC codes and it would have enabled the licencee to provide voice services which were beyond the scope of the ISP licence as also stated by TEC. Further, there have been past instances where operators have provided services beyond the scope of their licence e.g. WLL service providers providing full mobility and CDMA operators providing EVDO[45] services with 2G spectrum in violation of their respective licence conditions.

Thus, to allow ISPs to obtain BWA spectrum at prices equal to that paid by UAS operators, when the services which could be provided by UAS operators were much wider than the scope of services by ISPs, was not justified.

2.8.1.4 Lack of intermediate milestones in rollout targets

TRAI observed (September 2006) *'BWA technologies are new in the market, and the authority's emphasis is on encouraging the quick and cost effective deployment. The one time entry fee for 20 years spectrum licence might be difficult for some operators to pay upfront and is contrary to the goal of keeping the cost of these services low. Based on the foregoing , the authority recommends that the BWA spectrum licences should be for five year's duration, renewable up to 20 years upon payment of the spectrum acquisition fee every five years, and satisfaction of the relevant licence terms and conditions.'*

Further, TRAI had stipulated (September 2006) stiff roll out obligations to facilitate fast expansion of broadband services in rural and remote areas as follows:

Timeline	Licence Area/coverage		
	Metros	Category A,B,C	Local Operators/Captive networks
2 years		25% Rural SDCAs	
5 years	90 %	50% Rural SDCAs	90% area

TRAI (September 2006) also recommended incentive in case of fulfillment of the roll out obligation which included return of Performance Bank Guarantee (PBG) furnished by

[45] EVDO – Evolution Data Optimized

operators and allowing them to continue operations. However, in case of failure, PBG had to be encashed and the assigned spectrum was to be cancelled.

DoT, however in the NIA for the auction of BWA spectrum had specified the right to use the BWA spectrum for 20 years from the effective date of allotment, unless revoked or surrendered earlier. This revision of the right to use spectrum for 20 years, with a liberal roll out obligation of 5 years has resulted in BWA spectrum remaining largely unutilised without any significant services roll-out by any of the spectrum holders since allotment of spectrum in 2010. (Details in para No. 2.8.4).

2.8.1.5 Fixation of lower rate of Spectrum Usage Charges for BWA spectrum

DoT vide its 3G/BWA NIA dated 25 February 2010 and subsequent amendment in the UAS licence of 1 September 2010, mandated licencees using BWA spectrum to pay 1 *per cent* of applicable Adjusted Gross Revenue (AGR) as annual Spectrum Usage Charges (SUC).

While taking this decision, DoT did not consider potential of BWA technology to provide voice services as pointed out by TRAI in its July 2008 recommendation. The Government, therefore while allowing voice telephony on BWA spectrum had not prescribed the matching SUC with what was being paid by the UASL/CMTS operators who were providing voice telephony. While UAS/CMTS licencees were paying 3 *per cent* to 5 *per cent* depending on the quantum of spectrum held by them, BWA spectrum winners were asked to pay just 1 *per cent* of its AGR as per conditions of NIA. This relaxation would result in significant loss of revenue to the Government over 20 year licence period, since the BWA spectrum had potential to provide voice services also in addition to data services.

DoT stated (July 2014) that the SUC rate @ 1 *per cent* of AGR was notified for BWA spectrum in the NIA of the auction and hence any increase in SUC rates subsequently would have resulted into post-facto change of the provisions of NIA, violating the binding terms of contract by the Government.

This confirms that DoT did not do due diligence in fixing the SUC for BWA spectrum. The reduced rate of SUC did not take into account the potential of providing voice services on BWA spectrum and thus resulted in undue advantage to BWA spectrum holders providing voice services.

2.8.2 Lack of action on the suspected breach of confidentiality clause of NIA

Clause 4.1.1 of the NIA relating to the Confidentiality inter alia prescribed that "...*Bidders shall also not be permitted to disclose the status of their participation, including whether* *they continue to bid in any or all service areas, in any of the auctions, until the completion of the relevant auction".*

An article published in Economic Times on 10 June 2010 mentioned about the probable takeover of M/s Infotel by Reliance Industries Limited as All India BWA spectrum prices had touched ₹ 12,257 crore and M/s HFCL (M/s Infotel was a group company of HFCL) may not have funds to bid for more. DoT should have taken cognizance of the newspaper report as it breached the confidentiality clause of the NIA. Audit observed that DoT did not take any immediate action or even afterwards when this was confirmed by subsequent developments.

DoT in their reply (July 2014) stated that there was no evidence of release of confidential information with an intention of modifying the bidding behaviour and there was no question about vitiating the sanctity and transparency of the auction process.

The reply of DoT is not acceptable since the news item was related to the auction being conducted by DoT and it referred to the bidding status of one of the bidders in the auction. Hence DoT should have done its due diligence to see that there was no breach of confidentiality clause.

2.8.3 Migration to Unified Licence (UL) by ISP holding BWA spectrum

It was observed that M/s Infotel, an ISP operator, outbid most of the UAS operators in the auction of BWA spectrum in spite of the fact that it did not have permission for voice services on BWA spectrum as per their licence. This was in contrast to UAS operators who could have provided voice services in addition to data services on this spectrum as per their licence.

In August 2011, M/s Infotel (ISP licencee) requested for allocation of MCC and MNC codes which was objected to by TEC[46] in March 2012 due to possibility of provision of voice services using these codes which was beyond the scope of the ISP licence of M/s Infotel.

A High level committee was also formed in November 2012 under chairmanship of Advisor (Technology), DoT to examine the issues related to allocation of MCC & MNC codes to ISPs holding BWA spectrum but the issue was not finalized.

DoT had, in the interim, requested (October 2011) TRAI to recommend the UL guidelines including inter alia recommendations on entry/eligibility, PBG, modalities and guidelines for enabling existing UAS/CMTS/ISP/NLD/GMPCS licencees including IP-1 providers to migrate to National/Service Area level UL.

[46] As discussed in para 2.8.1.3.

TRAI furnished (April 2012) recommendations on Guidelines for Unified Licence/Class Licence and migration of existing licencees. The recommendations inter alia provided that the current licensing framework should be replaced by a new Unified Licence regime with following categorisation of licences:

- UL covering UASL/CMTS, NLD, ILD, Internet, IP-1 and GMPCS
- Class licence covering VSAT services
- Licensing through Authorisation covering PMRTS, Radio Paging and Voice Mail/Audio Tex/Unified Messaging Service and
- Broadcasting licences.

This was deliberated (April 2012) by a DoT Committee under the Chairmanship of Member (Technology) and subsequently by the Telecom Commission. It was decided that clarification may be sought regarding process for liberalization of the spectrum won through auction for 3G and BWA as well as for separate guidelines for migration from respective licence to UL.

TRAI's clarifications dated 12 May 2012 on this issue was again deliberated (starting 16 May 2012) by DoT committee under chairmanship of Member (Technology). DoT Committee held (August 2012) that 3G/BWA spectrum was not sold as a liberalized spectrum and held that had the Spectrum Blocks been specified and declared as liberalized spectrum blocks, the bidders would have taken informed decision for putting up their bids and the market discovered price would have been different and post auction decisions of such nature will not be appropriate.

These recommendations were considered by the Telecom Commission and it was decided (September 2012) that, given the complexities of UL regime, further detailed analysis and deliberations were required. It was felt that there were serious implications in the implementation of the framework recommended by TRAI due to complexities including eligibility requirements for new entrants as well as for migration of existing licencees for services other than access service. Accordingly, a committee under Adviser (T) was constituted on 18 September 2012 to go into the issue and suggest the way forward. On 25 January 2013, it was decided to expand the existing committee by including all the fulltime members of the Telecom Commission in DoT including Secretary (T) along with AS (T) and Sr. DDG (TEC) so as to expedite the process. Necessary order for the same was issued on 11 February 2013 made effective retrospectively from 25 January 2013.

The Committee under the Chairmanship of Secretary (T), on the issues pertaining to migration of ISPs to UL in their report (13 February 2013), felt that there was no bar or any issue in migration of an ISP Licence to the new UL subject to the fulfillment of eligibility criteria. The Committee took the note of the fact that an ISP licencee which migrates to UL including access service would be entitled to provide voice services and recommended that:

"for migration of ISP licencee with BWA spectrum to UL with authorisation of providing access services, which would enable them to provide mobile voice service using BWA spectrum, an additional fee equal to the difference between the entry fee for UASL and entry fee of ISP Category 'A' should be levied, apart from the entry fee as applicable for migration of ISP licencee to UL".

The aforesaid recommendation was approved by the Telecom Commission on 18 February 2013 and by Hon'ble Minister of Communications &Information Technology on 5 March 2013. Accordingly, "Guidelines for grant of Unified Licence" were issued on 19 August 2013.

It was observed that Reliance Jio Infocomm Limited (formerly, M/s Infotel) was the first to take benefit of this scheme and paid UL entry fee of ₹ 15 crore and additional migration fee of ₹ 1,658 crore in August 2013. Reliance Jio Infocomm Limited (RJIL) was granted Unified Licence (UL) on 21 October 2013 and was given authorization (October 2013) to provide voice services also.

The decision to grant permission to an ISP licencee with BWA spectrum to operate in the voice telephony space also helped the ISP to circumvent the restrictions imposed by their licence at the time of auction, which were known to the ISP at the time of bidding for BWA spectrum. This decision was taken ignoring the following important factor:

The entry fee of ₹ 1,658.57 crore was discovered in 2001 through the bidding for the 4th Cellular licences[47]and this price did not reflect the Present Value (PV) as on August 2013. Taking into account the cost inflation in the economy for the period from 2001 to 2013 the value of licence would have been at least ₹ 5,025.29 crore[48]. The calculation of PV is at **Annexure-VII**. M/s Infotel (now RJIL) got undue advantage of ₹ 3,367.29 crore due to non-accounting of time value of money in spite of gap of 12 years.

In reply (July 2014), DoT stated that as per provisions of the UL guidelines, ₹ 1,658 crore has been taken from M/s RJIL to shift from ISP 'A' to UL and it was without allocation of any bundled spectrum. The discovered price of ₹ 1,658 crore in 2001 was with bundled 4.4 MHz paired spectrum. It further stated that ISP without spectrum could migrate to UL

[47] During 1994, 8 CMTS licenses, two each, awarded in 4 Metro cities. During 1995-96, 34 CMTS licenses (Maximum 2) awarded to 14 operators in 18 circles. These operators were referred as 1st and 2nd Cellular mobile operators in the Circles. BSNL and MTNL entered the mobile services as third operator in 1999.Based on competitive bidding, 17 new CMTS Licenses were issued as 4th operator in 2001 in the 4 Metro cities and 13 Telecom Circles

[48] This is obtained by calculating the Present Value (PV) of ₹ 1658 crore as on August 2013. The average PLR of 11.09 *per cent* up to 2009-10 as adopted by TRAI in its recommendations of May 2010 has been used as discount rate. For the subsequent years RBI replaced the PLR with base rate system in July 2010. Hence, the minimum rates of 8.25 *per cent* for 2010-11, 10 per cent for 2011-12 and 9.7 *per cent* for 2012-13 had been adopted as discount rate. This has been factored up to March 2013.

by paying difference of licence fee while M/s RJIL had obtained spectrum through open auction and had to pay entry fee of ₹ 1,658 crore without having any bundled spectrum, that too for a licence available for entry fee of ₹ 15 crore for all India.

DoT's contention that UASL fee of ₹ 1,658 crore included 4.4 MHz spectrum is not correct as this was the price for the UAS licencee to be eligible for administrative allocation of start-up spectrum, without any guarantee of allotment of spectrum. There were many UAS licencees who had paid ₹ 1,658 crore and were still waiting for allotment of spectrum[49] in a service area. Even Clause 3.3. of NIA mentioned that *"the prospective new entrants must note that this Notice does not imply in any way that such bidders, if successful in winning 3G/BWA spectrum and in obtaining a UAS licence will also be awarded 2G start-up spectrum"*. Further DoT's reply was silent on not applying the time value of money on the price of ₹ 1,658 crore as discovered in 2001.

2.8.4 Status of Rollout of BWA services

The roll-out status (as on October 2014) of service by the successful bidders in BWA auction is as detailed below:

Table-2

Bidder	Aircel	Bharti	Qualcomm	Tikona	Infotel (RJIL)	Augere
No of Service Areas (SAs) won	**8**	**4**	**4**	**5**	**22**	**1**
Bid price (in Rs. crore)	3438.01	3314.36	4912.54	1058.20	12847.77	124.66
Status	No Roll out	Service rolled out in few cities of 4 Service areas	Sold the company to Airtel on 18 October 2013	No Roll out	No Roll out	No Roll out

The status of roll out of service shows that the winners of BWA spectrum were nowhere near their roll-out obligations even after four years of winning the spectrum. Thus, one of the prime objectives of the auction i.e. to promote early roll out of broadband services had largely remained unachieved.

Conclusion

There were deficiencies in NIA for BWA auction viz., absence of financial parameters in the eligibility criteria for the bidders, absence of clause relating to lock-in period, disparity in scope of usage of BWA spectrum for different class of licencees, lack of intermediate

[49] Datacom, Unitech, Spice, Loop and TTSL (applied during February/March 2008 and not allocated spectrum in Delhi service area till 25 September 2011 and thereafter spectrum was allocated through auction).

milestones in rollout targets and lower rate of SUC for BWA spectrum operators. Further, allowing UAS/CMTS and ISP operators to bid for BWA spectrum while the usage of spectrum was restricted to services covered by their respective licences led to post-auction demand (August 2011) by M/s Infotel (later M/s RJIL), an ISP holding BWA spectrum, for seeking of MCC/MNC codes which would have enabled them to provide voice services, which was permitted. M/s RJIL took Unified Licence after paying an entry fee of ₹ 1,658 crore only, which was discovered in 2001 and this resulted in undue advantage of ₹ 3,367.29 crore due to non-accounting of time value of migration fee after lapse of 12 years.

Further, the liberal roll out obligations have not been achieved by any of the six winners even after four years since the award of spectrum. BWA services have been started only in a few select cities by one operator only. BWA services have not been rolled out in rural areas which was one of the prime objectives of the auction.

These deficiencies have therefore led to lack of efficient use of spectrum, resultant hoarding of spectrum in view of absence of rollout of BWA services and non-realisation of the expected revenue share in form of SUC even after more than four years of allocation of spectrum.

CHAPTER-III
DEPARTMENT OF POSTS

3.1 Performance Audit on Planning and Implementation of 'Project Arrow' Scheme in Post Offices

Executive Summary

Department of Posts (DoP) introduced 'Project Arrow' Scheme in April 2008 to transform India Post into a vibrant and responsive organization. The project envisaged up gradation of the Post Offices (POs) in urban and rural areas both in terms of upgrading/comprehensive improvement and enhancing the quality of service in 'core business areas' and improving their 'look and feel' environment so as to create unique identity. The project also aimed at creating conducive and friendly work environment both for the staff and the customers visiting the POs by providing all IT enabled services through secure connectivity and improving the service quality levels in the core business areas such as Mail Delivery, Savings Bank, Money Remittances and other Financial services. A total of 18,611 Post Offices were covered (up to 2012-13) under this scheme.

The Performance Audit of planning and implementation of Project Arrow scheme in Post Offices revealed the following:

- The mail operations of DoP were independently evaluated by audit in the 75 selected HPOs/POs under nine Circles. Audit found that in most of the circles, mail operations have improved as was evident from data collected by the audit. However, in some circles there was a scope for further improvement.

- Audit noticed that more than 82 *per cent* of the mail received in the test checked POs was being delivered on the same day, yet it was below the prescribed tolerance levels of 100 *per cent*.

- An evaluation of performance and review of records relating to delivery of MOs and booking of MOs as eMOs revealed that delivery performance of MOs in test checked post offices in Delhi, North East, Uttar Pradesh and Gujarat Circles was below the threshold limit.

- The banking performance of the selected POs in nine postal circles was evaluated with regard to the prescribed norms. It was noticed that performance of selected post offices with regard to signature scanning and updation of passbook through printers was not satisfactory.

- The delivery performance of speed post was better than those of private couriers in local level, major cities and at the tehsil level.
- Information kiosks, procured for providing postal information and internet browsing facility to the customers in Post Offices were underutilized. 75 *per cent* of kiosks test checked by audit were not being utilised at all.

Summary of Recommendation:

Department of Posts should

- ensure that the delivery performance of all kind of mail and money orders are effectively monitored across all the Circles and at Postal Directorate level.
- take steps to improve performance of signature scanning and updation of passbook through printers in all the circles.
- ensure that all computer hardware and peripherals supplied to the POs are in working order for better services to the customers.

3.1.1 Introduction

Department of Posts (DoP) launched a Quality Improvement Project called 'Project Arrow' in April 2008, to transform India Post into a vibrant and responsive organization. The project envisaged upgradation of the Post Offices (POs) in urban and rural areas both in terms of upgrading/comprehensive improvement and enhancing the quality of service in 'core business areas' and improving their 'look and feel' environment so as to create unique identity. The project aimed at creating conducive and friendly work environment both for the staff and the customers visiting the POs by providing all IT enabled services through secure connectivity and improving the service quality levels in the core business areas such as Mail Delivery, Savings Bank, Money Remittances and other Financial Products. A total of 18,611 Post Offices, out of more than 1.54 lakh Post Offices were covered during 2008-09 to 2012-13 under "Core Operations", out of which 2,394 POs were also covered under "Look and Feel". The Scheme had the following objectives:

- Make a visible, tangible and noteworthy difference in POs that matters to the common man;
- Verify and certify progress on ongoing basis using clearly defined Key Performance Indicators (KPIs) for each improvement area;
- Set the foundation for a comprehensive transformation of India Post;

The focus of Project Arrow was on improving the Core Operations of POs and enhancement of Look and Feel to create unique identity. Salient features for 'Core Operations' and 'Look and Feel' are as follows:

3.1.2 (i) Core Operations:

- **Mail Delivery:** Ensure same day delivery of mail received and same day dispatch of mail collected;
- **Savings Bank:** Reduce transaction time at counters and for account transfer/closure and settlement of deceased claim cases;
- **Money Remittances:** Delivery of money orders (MOs) on the day of receipt and providing web-enabled remittance services;
- **Office Service Level:** Improve customer satisfaction along all parameters from appearance to operations;

3.1.2 (ii) Look and Feel:

- **Human Resource:** Identify roles and job descriptions for all and design suitable training packages to enhance operational and soft skills of staff;
- **Infrastructure:** Develop standardized and consistent interior and exterior blueprint and ensure uniform implementation;
- **Technology:** Decide on required hardware, software and connectivity to enable POs to provide all IT enable services even in rural areas;
- **Branding:** Ensure uniform brand hierarchy as well as consistency for all products and services;

3.1.3 Key Performance Indicators (KPIs)

A set of the KPIs[1] was prescribed by DoP to monitor the performance of the Core Operations. Each such identified KPIs had a tolerance level to see whether the service level had gone below this threshold. In order to keep a track of KPIs, a system of online Web-based reporting/monitoring, through a Data Extraction Tool (DET) was put in place which directly extracted information from operations transacted on computers in POs so

[1] KPIs : Punctuality in receipt of mail, completion of beat sorting to include all mail in days's delivery; same day delivery of all mail received in the post office, Postman beat back-up plan, delivery stamp impressions, adherence to scheduled delivery hours etc

that there was no scope of any tampering with the record of actual transactions. The DET tracks KPIs relating to Mails, Savings Bank and Accounts and also enables generation of performance reports and calculation of revenue in Project Arrow POs. The detailed monitoring procedure along with the scorecard system throws up instantaneously, the POs with consistent low composite KPI scores which in turn can start up rectification processes without delay.

The performance of POs covered under 'Project Arrow' was required to be monitored daily by the Programme Office, which should be then followed up by interaction with the Heads of Circles at prescribed intervals by the Steering Committee chaired by Secretary (Posts) via video conferencing every fortnight.

3.1.4 Implementation of Project Arrow in phases

This Project was initially implemented through a pilot study in 50 Post Offices of 10 Postal Circles[2] in May 2008. Additional post offices were added in a phased manner. A total of 18611 Post Offices were covered (up to 2012-13) under this project as shown in Table-1 given below:

Table-1
Details of target fixed for Post Offices to be covered vis-à-vis achievements under Core Operation and Look and Feel activity

Year	Phase	Target fixed (No. of Post Offices)		Achievements (No. of Post Offices)		Expenditure incurred (₹ in crore)	
		Core Operations	Look and Feel	Core Operations	Look and Feel	Core Operations	Look and Feel
2008-09	Phase-I,II	1,724	500	1,724	500	Expenditure incurred on this activity was not included under the Project Arrow[3].	86.56
2009-10	Phase-III		500		503		56.00
2010-11	Phase- IV	8,000	530	8,721	525		80.41
2011-12	Phase V	5,000	229	5,128	207		19.07
2012-13	Phase VI	3,000	780	3,038	780		70.03
Total		**17,724**	**2,539**	**18,611**	**2,515**		**312.07**

(Source: Information furnished by DoP)

2 Andhra Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, North East, Odisha, Rajasthan, Tamil Nadu,Uttar Pradesh , Uttarakhand

3 To strengthen the core operations for which computer hardware and software etc were required; expenditure on this was funded from the scheme "Modernisation of the Post Offices" started in 8th five year plan onward.

3.1.5 Scope of Audit

Performance Audit was conducted with a view to examine the implementation of the 'Core Operations' vis-à-vis 'Look and Feel' in the POs covered under the 'Project Arrow' Scheme covering the period 2008-09 to 2012-13.

The Performance Audit was conducted during July 2013 to October 2013 in DoP Headquarters and in 75 HPOs/POs under nine Postal Circles[4]. In these circles, the Audit was conducted in the O/o Chief Post Masters General (CPMG), Regional Offices, Divisional Offices, Senior Superintendent of Post Offices, Head Post Offices and Electrical and Civil Divisions.

Out of the 30 Postal Regions under nine selected Circles, 13 Regions were selected for Audit. For this purpose, two Postal Regions having maximum numbers of POs covered under Project Arrow were selected, if the numbers of Postal Regions was more than three. In case of circles having three or less Postal Regions, only one was selected. Besides, Civil and Electrical Divisions and concerned Postal Stores Depots of selected Circles were also audited. In each selected region, one division having highest numbers of POs covered under Project Arrow was selected. Under each selected Postal Division, two HPOs/ GPOs were selected through random sampling. Under each HPOs/GPOs, two Delivery Sub Offices were selected through simple random sampling.

3.1.6 Audit Objectives

The Performance Audit on 'Project Arrow' Scheme was conducted to examine:

- Whether the POs covered under Project Arrow are fulfilling the expectations of the general public as per the scheme;
- Whether the Scheme was implemented economically and efficiently and as per the relevant rules and procedures;
- Whether the scheme was being properly monitored at Postal Directorate as well as Circle level;

3.1.7 Sources of audit criteria

The main sources of audit criteria were

- Relevant plan documents and other files, reports, etc. and Annual Plans of DoP;

[4] Delhi, Rajasthan, Uttar Pradesh, Gujarat, Maharashtra, Madhya Pradesh, North East, Tamil Nadu and Andhra Pradesh.

- Norms and instructions issued from time to time for implementation of the 'Project Arrow' Scheme;
- Procurement manuals;
- Web based monitoring tool in respect of selected POs;
- KPIs prescribed for the various services etc.;

3.1.8 Audit Methodology

The audit was conducted by visiting the premises of the entity audited. The manual, records, documents and data in the computerised system, wherever available were analysed and compiled to arrive at audit conclusions. Besides, the validation of KPIs devised for Project Arrow, end to end test letters were also posted by audit to evaluate the efficiency of mail system. Regarding rating of POs, the parameter used by the TUV India Pvt. Limited[5] was used. A survey was also conducted by Audit team during the course of Audit to assess the customer and staff satisfaction.

The entry and exit conference was held with Secretary (Posts) in June 2013 and October 2014 respectively.

3.1.9 Audit Findings

Audit findings with regard to planning, implementation and monitoring of Project Arrow Scheme in POs is discussed in succeeding paragraphs under two broad categories i.e. Performance on Core Operation and Planning and Procurement.

3.1.9.1 Performance on Core Operation

DoP claims to have accrued benefits of providing the quality of service to customers under 'Core Operations' and improvement in the 'look and feel' of the POs. The benefits accrued to DoP from the Project Arrow scheme inter-alia include same day delivery of mail and money orders, faster saving bank transactions, sense of pride among employees and speedy service to general public. The audit observations in this regard are as under:

[5] M/s TUV India Pvt. Limited was appointed as an auditor by DoP to visit the 50 post offices and validate the result of the implementation of the Project Arrow. Post Offices were rated on Mailing, Remittances, banking, Infrastructure and office service level and Human resources on weightage (total 100 points) of 46, 12, 10, 22, and 10 respectively.

Mail operations and delivery

Mail operations are fundamental to India Post and it plays a very important role in carving the image of India Post in the public. The process of delivery of mails begins with the arrival of mail at the POs in the morning. The stamped and sorted mail is then handed over to the postman for delivery. The mail aspiration for India Post is to ensure same day delivery of mail received and this issue was addressed as key focus of 'Project Arrow Scheme' for which the KPIs have been developed by DoP. The target for KPIs was kept at 100 *per cent* to ensure compliance of same day delivery of the mail received. This includes all kinds of mail like registered post, speed post, ordinary mail and registered parcel.

During performance audit, the working and records of 75 HPOs/POs under nine circles was examined. Audit observed that though there was remarkable improvement in the working of the POs, there is still a scope for further improvement.

(i) Evaluation of mail operation

The mail operations of DoP were independently evaluated by audit in the 75 selected HPOs/POs under nine Circles. Audit found that in most of the circles, mail operations have improved as was evident from data collected by the audit. However, in some circles there was a scope for further improvement as indicated in Table-2 given below:

Table–2
Statement showing performance of various mail operations in Audited Post Offices

(in per cent)

Name of Circle (No of Post Offices)	Mail arrival time	Postmen beat back up plan	Postmen's reporting on time	Delivery stamp impression	Mail sorting completion time	Adherence to scheduled delivery hours
Maharashtra(7)	57.14	100.00	100.00	100.00	100.00	100.00
Madhya Pradesh (7)	100.00	100.00	100.00	100.00	100.00	100.00
Rajasthan (7)	57.14	85.71	71.43	100.00	85.71	71.43
Tamilnadu (7)	85.71	100.00	100.00	100.00	85.71	57.14
Delhi (6)	100.00	83.33	100.00	100.00	100.00	100.00
North East (7)	100.00	100.00	100.00	100.00	100.00	100.00
Uttar Pradesh (14)	61.54	76.92	76.92	23.08	46.15	41.67
Gujarat (8)	75.00	87.50	87.50	87.50	37.50	75.00
Andhra Pradesh (12)	100.00	100.00	100.00	100.00	100.00	100.00
Average	**81.84**	**92.61**	**92.87**	**90.06**	**83.90**	**82.80**

Following points emerged from this evaluation against prescribed performance parameter of 100 *per cent*:

a) The overall performance of arrival of mail in time in test checked circles was measured as 82 *per cent* with a range of 57 *per cent* in Rajasthan and Maharashtra Circles to 100 *per cent* in Delhi, Madhya Pradesh, Andhra Pradesh and North East Circles.

DoP while agreeing (August 2014) to the audit observation stated that delay in arrival of mail was due to traffic jam/breakdown of Mail Motor Service vehicles which was beyond the control of Circles. It was further stated that the phenomenon was occasional and corrective measures have now been taken. It was also stated that Project Arrow was being monitored through fortnightly video conference by Secretary (Posts) with CPMGs, which kept the circles alert and responsible for any shortfall in KPIs.

DoP accepted that despite the performance of project arrow being monitored at the highest level, there were still shortfall in the post offices test checked in Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and Gujarat Circle. Further, DoP has given reply for shortfall in U.P Circle only, whereas it was silent on performance in other Circles where the performance is below the threshold level.

b) The Postman beat back-up plan was observed to be at 93 *per cent* on average which was ranging from 77 *per cent* in UP circle to 100 *per cent* in Maharashtra, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and North East Circles.

DoP in their reply (August 2014) stated that the postmen beat backup plan was in place in the UP Circle. It was also stated that during the leave of any postman, the arrangement was made by engaging another postman. However, no specific reply was furnished in respect of POs test checked in Rajasthan, Delhi and Gujarat Circles where performance was below the threshold level.

c) 93 *per cent* of the postmen reported for duty in time and went out for delivery as per the attendance and error books of the concerned POs. The range of performance by the circles under this activity was from 71 *per cent* in Rajasthan circle to 100 *per cent* in Delhi, Maharashtra, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and North East Circles.

DoP stated that Rajasthan Circle has instructed all concerned divisional heads to ensure timely reporting of duty by all postmen. However, DoP did not furnish reply for the remaining circles.

d) The overall delivery stamp impression was observed to be accurate and legible in 90 *per cent* of selected HPOs/POs in nine circles. However, the UP Circle showed a very poor performance under this activity with only 23 *per cent* but all other selected POs in seven circles were observed to be excellent with 100 *per cent* performance in the activity except Gujarat with 88 *per cent.*

DoP in their reply (August 2014) stated that cleanliness of delivery stamps were ensured in every post office in UP Circle so that delivery stamp impression was accurate and legible but as regard Gujarat Circle, no reply was furnished. DoP's claim was however, not found accurate in the test checked HPOs/SOs.

e) As per the records maintained in the selected 75 HPOs/POs, morning mail was being sorted out in 84 *per cent* of the POs at prescribed time of 15-30 minutes before the scheduled delivery hours. The lowest performance on sorting activity was in Gujarat Circle as only 38 *per cent* Post Offices were observing prescribed timings whereas 100 *per cent* sorting at the prescribed time was observed in Madhya Pradesh, Delhi, Maharashtra, Andhra Pradesh and North East Circles.

   It was further observed that on an average 83 *per cent* of the postmen in 75 HPOs/POs selected for audit adhered to scheduled delivery hours. UP Circle with 42 *per cent* and Maharashtra, Madhya Pradesh, Delhi, Andhra Pradesh and North East Circles with 100 *per cent* adherence to scheduled delivery hours indicated that there was scope of improvement in other four circles viz. Rajasthan, Uttar Pradesh, Tamil Nadu and Gujarat.

DoP stated (August 2014) that all bags in the Post offices were being opened on the same day of its receipt. It was further stated that except during receipt of large quantum of mails during recruitments/admissions, the delivery hour got delayed marginally. It was also stated that UP Circle was ensuring that the entire Postman staff should adhere to scheduled delivery hours.

The fact remains that as pointed out in the observations above, POs in Rajasthan, Uttar Pradesh, Tamil Nadu and Gujarat Circles were not adhering to the scheduled delivery hours.

(ii) Evaluation of mail delivery

Against a target of 100 *per cent* for same day delivery of mail as prescribed in the Blue Book[6] of Project Arrow, the tolerance level for delivery of Ordinary, Registered and Speed Post mails was further prescribed by Standing Finance Committee as 0 *per cent*, 5 *per cent* and 3 *per cent* respectively. Thus, all ordinary mails were required to be delivered on the same day whereas 95 *per cent* of the Registered Mail and 97 *per cent* of Speed Post were

[6] Blue Book on the Project Arrow institutionalizes the efforts of the Project Management team and codifies the ideas, mutually agreed goals and targets, implementation details and performance measurement tool.

to be delivered on the day of receipt at the delivery Post Office. On review of records related to the delivery of ordinary, registered and speed post mail in test checked POs, following results were noticed as indicated in Table-3 given below:

Table-3
Delivery performance of Ordinary, Registered and Speed Post Mail

(Figures in per cent)

Name of Circle (No. of Post Offices)	Ordinary letter (Range)	Registered letter (Range)	Speed Post (Range)
Maharashtra (7)	89.29 (25 to 100)	96.43 (75 to 100)	92.86 (75 to100)
Madhya Pradesh (7)	100.00	97.50 (87.50 to 100)	90.00 (67.50 to 100)
Rajasthan (7)	100.00	76.79 (25 to 100)	76.79 (25 to 100)
Tamilnadu (7)	100.00	76.79 (50 to 100)	91.07 (75 to 100)
Delhi (6)	54.17 (25 to 100)	68.75 (50 to 100)	77.08 (50 to 100)
North East (7)	75.00 (25 to 100)	83.93 (25 to 100)	85.71 (37.50 to 100)
Uttar Pradesh (14)[7]	48.08 (0 to 100)	76.92 (25 to 100)	73.08 (25 to 100)
Gujarat (8)	81.25 (0 to 100)	67.19 (0 to 100)	73.44 (0 to 100)
Andhra Pradesh (12)	91.67 (50 to 100)	98.96 (87.50 to 100)	86.46 (75 to 87.50)
Average	**82.16**	**82.58**	**82.94**

DoP in its reply (August 2014) stated that they have fixed the tolerance limit at a very high level and was able to achieve the same to a large extent. It was also stated that delivery performance was regularly monitored through fortnightly video conference by Secretary (Posts) with circle's head. However, the delivery performance occasionally goes down due to reasons beyond the control of circles like, receipts of heavy mails on particular days, closure of offices due to holidays, deliberate refusal of court notices by addressees, incomplete/ insufficient address and migrating population/change of address.

[7] One post office was non-delivery post office

The reply of DoP confirms the audit observation but despite the monitoring at apex level (Secretary), the performances of some of the test checked POs were very disappointing as the same was far below the prescribed level, which require immediate corrective action.

3.1.9.2 Money Remittances

Money Remittance is an important area for India Post and aspiration from remittances business is to ensure that at least 95 *per cent* of the money orders received are paid on the same day. Further, as per KPI, all Money Orders (MOs) should be booked as Electronic Money Order (eMO). The performance relating to delivery of MOs and booking of MOs as eMOs are indicated in the Table-4 below:

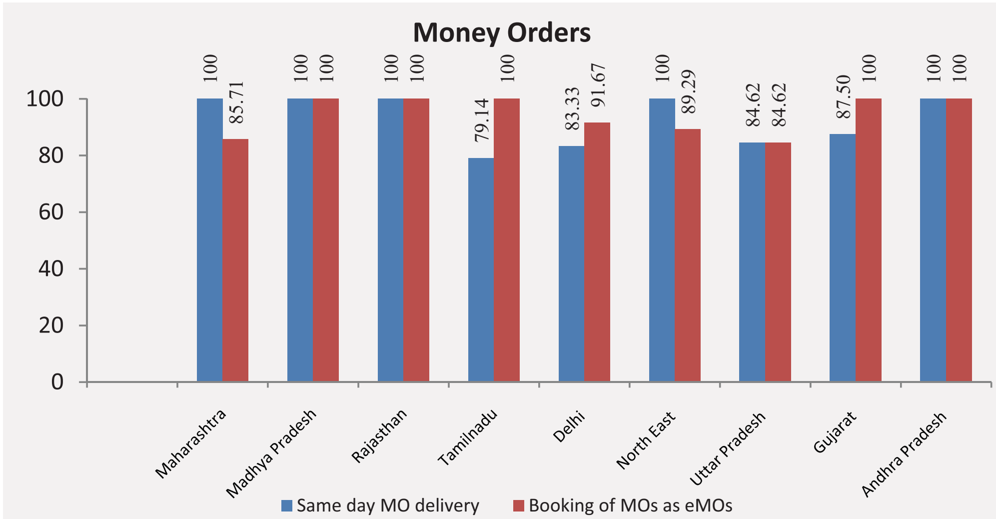
Table-4
Performance relating to delivery of MOs and booking of MOs as eMOs

(Figures in per cent)

Name of Circle (No of Post Offices)	Same day MO delivery (Range)	Booking of MOs as eMOs (Range)
Maharashtra (7)	100	85.71 (0 to 100)
Madhya Pradesh (7)	100	100
Rajasthan (7)	100	100
Tamilnadu (7)	79.14 (0 to 100)	100
Delhi (6)	83.33 (0 to 100)	91.67 (50 to 100)
North East (7)	100	89.29 (25 to 100)
Uttar Pradesh (14)	84.62 (0 to 100)	84.62[8] (0 to 100)
Gujarat (8)	87.50 (0 to 100)	100
Andhra Pradesh (12)	100	100

[8] As one of the POs out of 14 is not a delivery Post Office hence the percentage is based on 13 POs only.

The performance of money orders delivered on the same day is shown in the chart below:



An evaluation of performance and review of records relating to delivery of MOs and booking of MOs as eMOs revealed that the delivery performance of MOs in Tamil Nadu, Delhi, Uttar Pradesh and Gujarat Circles was below the threshold limit. Further only 85 to 92 *per cent* MOs were being booked as eMOs in Maharashtra, Delhi, North East and Uttar Pradesh Circles.

DoP in its reply stated (August 2014) that in Gujarat Circle, overall same day delivery percentage of money orders was 96 *per cent*. It was also stated that Directorate was regularly monitoring the delivery performance of money orders through fortnightly video conferencing held by the Secretary (Post) with CPMsG. However, the reply was silent about delivery performance of MOs in other circles.

The fact remains that the prescribed level of same day delivery of 95 *per cent* of the money orders was not maintained in Tamil Nadu, Delhi, Uttar Pradesh and Gujarat Circles.

Since money remittance is an important area for India Post, all efforts should be made to ensure that the money orders are delivered as per the prescribed timelines across all the circles.

3.1.9.3 Banking

DoP operates Small Savings Schemes on behalf of Ministry of Finance, Government of India. The Post Office Savings Bank operates Savings Accounts, Recurring Deposit (RD), Time Deposit (TD), Monthly Income Scheme (MIS), Public Provident Fund (PPF), National Savings Certificate (NSC) and Senior Citizens Savings Scheme (SCSS).

The following KPIs were prescribed by DoP in the Blue Book of Project Arrow in January 2009 for efficient banking operations:

- Accounts transfer requests are settled within three working days;
- Deceased claim cases having nomination are settled within three working days of receipt of application;
- All specimen signatures in respect of Saving Bank, Recurring Deposit, Monthly Income Scheme and National Saving Certificate/ Kisan Vikas Patra are scanned in the database;
- Pass-books of customers be updated through passbook printers;

The idea of updating of pass books through pass book printers is to instil confidence in the customer about his balance and decrease the risk of frauds committed by counter clerks of not crediting the correct amounts deposited by the account holder. Further signature scan also helps in saving the time of counter clerks.

The banking performance of the selected POs in nine postal circles was evaluated with regard to the above prescribed norms and the following results were noticed as indicated in Table-5 below:

Table-5
Performance of various banking services

(in per cent)

Name of Circle (No. of Post Offices)	Transfer requests (Range)	Settlement of deceased claim cases (Range)	Signature scans for all SB, RD and MIS (Range)	Signature scans for NSC/KVP (Range)	Updating of customers' passbooks through printers (Range)
Maharashtra (7)	100.00	100.00	100.00	85.71 (0 to 100)	85.71 (0 to 100)
Madhya Pradesh(7)	100.00	100.00	100.00	85.71 (0 to 100)	100.00
Rajasthan (7)	100.00	100.00	100.00	100.00	21.43 (0 to 50)
Tamilnadu (7)	100.00	100.00	100.00	100.00	0.00
Delhi (6)	83.33 (0 to 100)	100.00	100.00	0.00	58.33 (0 to 100)
North East (7)	100.00	100.00	95.29 (67 to 100)	57.14 (0 to 100)	35.71 (0 to 50)
Uttar Pradesh (14)	100.00	85.71 (0 to 100)	71.43 (0 to 100)	50.00 (0 to 100)	14.29 (0 to 100)
Gujarat (8)	100.00	100.00	100.00	37.50 (0 to 100)	87.50 (0 to 100)
Andhra Pradesh (12)	100.00	100.00	100.00	91.67 (0 to 100)	33.33 (0 to 100)

From the table, it is clear that:

- Accounts transfer requests were entertained within the prescribed time limit in all the circles test checked except Delhi;
- Deceased claims were not being settled within the prescribed time limit in U.P Circle;
- Signature scanning was in arrears in seven out of the nine Circles test checked;
- Pass books were also not being updated through passbook printers in most of the test checked POs but in MP all the test POs, Pass books were updated through printers ;

DoP while accepting (August 2014) audit observations did not provide any reasons for non-achievement of the benchmarks in the stated circles. However, it was stated that pending cases of deceased claims were being monitored regularly in UP Circle. It was also informed that Post Offices were directed to use pass book printers for updating. It was further stated that circles have also been instructed to repair the pass book printers locally in case they were not working. DoP further stated that signature scanning is being monitored through fortnightly video conferences and as on 1 August 2014, 98.31 *per cent* signatures had been scanned.

DoP needs to monitor effectively the compliance to its instructions as in the post offices test checked in Delhi Circle revealed that the percentage of signatures scanned for NSCs/KVPs was zero *per cent*, whereas in Gujarat and U.P Circles, the performance was 38 and 50 *per cent* respectively. As regard updation of customer's passbooks through printers, no passbooks were being updated through printers in test checked POs in Tamil Nadu Circle, whereas only 21, 36 and 14 *per cent* pass books were being updated through printers in Rajasthan, North East and Uttar Pradesh Circles respectively.

Thus it can be seen that performance with regard to transfer request and settlement of deceased claims was 100 *per cent* except in Delhi and U.P. Circles where it was 83 and 86 *per cent* respectively. However, the performance with regard to signature scanning and updation of passbook through printers needs to be improved.

3.1.9.4 Comparison of Speed Post with Private Couriers services

Speed Post service was introduced in 1986 to provide a fast and time bound delivery service in major cities of the country. Since then the network has been expanded across the country. Of late private couriers are giving a stiff competition to speed post services. Since, more than 10 *per cent*[9] of the total revenue of DoP comes from Speed Post services,

[9] In 2010-11, 2011-12, 2012-13, and 2013-14 , the percentage of the revenue from the speed post was 10.76, 11.26, 13.47 and 12.79 *per cent respectively* of the total revenue of DoP.

the performance of the Speed Post should not be below the standard of the service provided by the Private Couriers.

In order to compare the performance/quality of Speed Post Service of DoP with Private Courier Agencies for delivery of mails, a test check was conducted by Audit in eight circles viz. Gujarat, Maharashtra, Rajasthan, Tamil Nadu, Delhi, Andhra Pradesh, Uttar Pradesh and Madhya Pradesh Circles out of nine circles selected for Audit.

The test check was conducted by posting letters to local, major cities and tehsils. A total of 284 test letters were posted by speed post and 287 by different private courier service providers[10]. The number of letters sent, letters actually delivered, and time taken for delivery of test letters by Speed Post as well as private couriers is shown in Table-6 below:

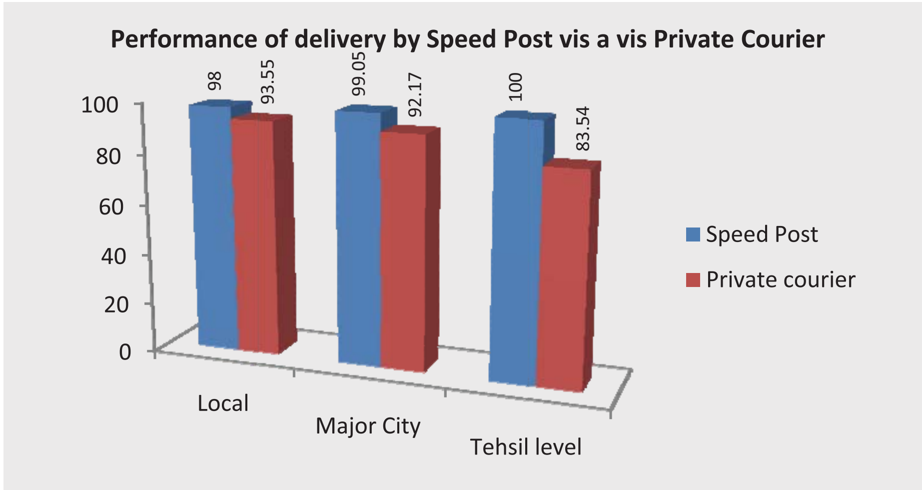
Table–6

Time taken for delivery of mails by Speed Post of DoP vis a vis Private Couriers

Type of Area/ location	Speed Post				Private Courier			
	No. of Test letters sent by audit	No. of Test letters received by addressee	Days taken for delivery of Test letter	Test letters delivered (in per cent)	No. of Test letters sent by audit	No. of Test letters received by addressee	Days taken for delivery of Test letter	Test letters delivered (in per cent)
			From - To				From - To	
Local	100	98	1 - 11	98.00	93	87	1 - 12	93.55
Major City	105	104	1 - 9	99.05	115	106	1 - 10	92.17
Tehsil level	79	79	1 - 7	100.00	79	66	1 - 23	83.54
Total:	**284**	**281**		**98.94**	**287**	**259**		**90.24**

Delivery performance of letters sent by speed post vis-à-vis those sent through private couriers is given in the chart below:

[10] DTDC, First Flight, Blue Dart/DHL and Local couriers



As far as delivery performance is concerned, the above table shows that 98 *per cent* letters were delivered by speed post in local areas as compared to 93.55 *per cent* by private couriers. In Major cities 99.05 *per cent* letters were delivered by speed post whereas in case of private couriers the *per cent* was only 92.17 per cent. In respect of Tehsil level, delivery performance of Speed Post was 100 *per cent* as compared to 83.54 *per cent* of private courier service. The feed-back particulars about the delivery of articles received from addressees related to the Postal Department and Private Operators were confirmed. Thus based on the results, it could be reasonably concluded that the speed post service of DoP was better than the services provided by the private courier services, though there was still room for improvement in speed post service in certain areas.

DoP in its reply (August 2014) to audit observations stated that DoP would continue to make efforts to maintain high standards to serve the customers and follow the audit observations.

Recommendations

Department of Posts (DoP) should

- *ensure that the delivery performance of all kind of mail and money orders are effectively monitored across all the Circles and at Postal Directorate level.*
- *take steps to improve performance of signature scanning and updation of passbook through printers in all the circles*

3.1.9.5 Assessment of satisfaction level of the Customers and employees

The assessment of customer's satisfaction through survey under "Look and Feel" was conducted as a part of the performance audit and in this regard a feedback form was given to the randomly selected visiting customers for their feedback. For this purpose, 15 and 30 customers (a total of 1,455 customers) in each selected Sub-Post Offices (SPO) and Head Post Offices (HPO) respectively, were requested to give feedback. The questionnaire included availability of stationary and forms, queuing time, cleanliness, multi-purpose counter operations, staff diligence, adequacy of computers to meet customer demands and availability of customer facilities in the Post Offices etc. On the basis of the points awarded by the customers, it was noticed that 83 *per cent* of customers were satisfied with the services and working of the Post Offices with a range of 63 *per cent* in the UP circle to 100 *per cent* in Gujarat, Maharashtra and Madhya Pradesh Circles.

In addition to above, employee's job satisfaction survey at their place of work was also conducted in the selected POs. In the survey, feedbacks on the pre designed questionnaire obtained from 25 staff members or the total staff (in case the total staff is less than 25) of each of the selected POs so as to ascertain the motivation and job satisfaction level of the postal staff. On the basis of points awarded by the staff members in feedback of the job satisfaction survey, it was concluded that 87 *per cent* of the postal staff were found to be satisfied with the job. The least satisfactory staff was in the North East circle with 67 *per cent* but 100 *per cent* staff of Maharashtra, Madhya Pradesh, Tamil Nadu, Gujarat and Andhra Pradesh were observed to be satisfied at their place of work.

On being pointed out by Audit, DoP stated that to improve the customer satisfaction, UP Circle has formed Post Forums at Project Arrow Post Offices with eminent people of the area/locality to meet regularly and discuss about the quality of services. Regarding staff satisfaction, it has been stated that North East Circle has taken corrective measures and reported that staff satisfaction level has reached to 95 *per cent*.

3.1.10 Planning and Procurement

Planning involves establishing the scope, aims and objectives of a project, the way in which the project will be performed, the roles and responsibilities of those involved, and the time and cost estimates. Procurement is the acquisition of goods, services or works from an outside external source. It is imperative that the goods or services are appropriate and are procured at the best possible cost to meet the needs in terms of quality and quantity, time and location. The deficiencies in planning and procurement during implementation of project arrow are discussed below:

3.1.10.1 Idling of Hardware

In order to provide better services to customers, it was imperative that all computer hardware and peripherals must be working properly. It was observed that computer accessories and passbook printers worth ₹ 1.09 crore were lying idle or unserviceable since 2009. Since the services of Post Offices under Project Arrow are linked to proper functioning of various hardware items, idling or unserviceable condition of hardware items may be a hindrance in providing better services to customers thereby defeating the basic purpose of the Project Arrow.

In reply to Audit observations, DoP stated (August 2014) that in Rajasthan Circle, instructions have been issued to all concerned to get the faults in hardware repaired whenever noticed. It was also stated that in Maharashtra Circle, the batteries for idle UPS were being purchased in a phased manner according to availability of funds. However, DoP did not furnish any reply for idling/unserviceable condition of hardware in other POs of selected Circles.

Recommendation

- Department of Posts (DoP) should ensure that all computer hardware and peripherals supplied to the POs are in working order for providing better services to the customers.

3.1.10.2 Duplication in Procurement of hardware

During Annual Plan 2009-10, DoP had proposed to replace the existing hardware of some POs which were covered in Ninth Plan under 'Computerisation and Networking' project. It was also proposed to supply extra computers in other POs where the availability of computers was less than the prescribed requirement for implementation of project arrow. However, DoP made it clear that hardware will be supplied for one scheme only i.e. either 'Project Arrow' or 'Computerisation and Networking' and there will be no duplicity.

Audit observed that additional hardware amounting to ₹ 41.33 lakh as detailed in Table-7 given below was procured for 70 Project Arrow POs in Tamil Nadu and Rajasthan circles which were already covered under computerisation and modernisation programme.

Table–7
Procurement of additional hardware

(₹ in lakh)

Name of Circles	No. of Post Offices	Items purchased	Quantity	Amount
Tamilnadu	20	Desktop Computers	20	7.72
Rajasthan	50	Desktop Computers with preloaded Operating System	87	33.61
Total	**70**		**107**	**41.33**

(Source: Information furnished by DoP)

In reply, DoP stated (August 2014) that the Circles procured additional hardware out of the fund allotted under the Project Arrow Phase VI for achievement of targets, transmission of DET and better connectivity without breakdown of work in Project Arrow Post Offices. It has also been stated that Circles have instructed all concerned divisions where hardware is supplied to ensure that no computer remains unutilised.

The reply of DoP is not acceptable in view of the fact that procurement of computers from the funds allotted under 'Project Arrow' for the POs were already covered under 'Modernization and Computerization' scheme and the amount could have been utilized for other 'Project Arrow' related works.

3.1.10.3 Under-utilisation of Information Kiosks

Information Kiosk is computer based equipment containing all the information about the Post office activities having Internet connectivity for use by the customers. Each selected Post office of Project Arrow was to be provided one Information Kiosk to provide postal information and internet browsing facilities to the customers.

DoP placed two purchase orders on M/s Agmatel, through DGS&D rate contract, in April and September 2008 for procurement of 52 nos. and 448 nos. of Information Kiosks respectively at a cost of ₹ 6.62 crore. These Kiosks were to be supplied to POs in 12[11] postal circles. The purpose of these Kiosks was to provide postal information and Internet browsing facility to the customers in the post offices.

DoP took up the matter of utilisation of Kiosks with the concerned circles in July 2009. On being enquired by Audit about the utilisation of Kiosks, it was stated by DoP that information received from the circles was not readily available. A further test check in 75 POs in nine selected circles revealed that 63 Kiosks were supplied to these POs, out of which 48 Kiosks were not being utilised at all and 15 were being utilised to negligible extent. Since no information about utilisation of information Kiosks is available with DoP, idling of kiosks cannot be ruled out in respect of all 500 Kiosks procured at a cost of ₹ 6.62 crore.

In reply to Audit observations, DoP stated (August 2014) that the use of Kiosks depends on the consumers and the Post Offices were responsible to increase the awareness about the facility to its walk in customers so that the optimum utilisation of Kiosks is ensured**.**

Reply of DoP is general in nature and does not furnish any information as to what efforts were made to ensure optimum utilisation of Kiosks and up to what extent the Kiosks were utilised. Non utilisation of kiosks not only resulted into wastage of public money but also

[11] AP, Bihar, Gujarat, Jharkhand, MP, Maharashtra, NE, Odisha, Rajasthan, TN, UP and Uttarakhand circles

failed to provide automated information to customers about services being provided by DoP and thus the basic purpose of purchase of kiosks was defeated.

Conclusion

The Project Arrow scheme has undoubtedly transformed the post offices in the country. The POs do not only have better look and feel but Core Operations of their working has also improved. However, many aspects of the project like monitoring system, implementation of CBS and planning and procurement were not found up to mark. Further, since the services of Post Offices are linked to proper functioning of various hardware items, it was imperative that all such items were kept in working condition. Last but not the least; the scheme has covered a small percentage of post offices in metropolitan cities, state capitals, other major cities and urban areas only. Thus, this project needs to be accorded high priority so as to ensure that the scheme covers the post offices throughout the country and satisfies the needs of general public.

3.2 Banking and Money Transfer Operations in Department of Posts

Introduction

The Post Office Savings Bank (POSB) Scheme[12] is the oldest and largest banking scheme of India Post with approximately 28 crore Savings Accounts in about 1.54 lakh post offices as on 31 March 2013. The POSB Scheme is an agency function, performed by the Department of Posts (DoP), on behalf of the Ministry of Finance (MoF).

In order to modernize its services and computerize the entire work of the Savings Bank (SB) a separate software 'Sanchay Post' for SB operations in post offices was developed by M/s Datanet Corporation, Bangalore[13] on Windows NT platform with Microsoft SQL Server as RDBMS and Power Builder as the front-end tool. The Sanchay Post software developed to work in a Local Area Network environment within a post office was introduced in January 2003 and has been upgraded from time to time. The latest version is "Sanchay Post 7.0".

An Information Technology (IT) Audit of Sanchay Post 4.5 Software was conducted in 2005 and the same was printed in C&AG Report No.1 of 2006. DoP in their Action Taken Note (July 2008) had given assurances to take the corrective measures on various audit observations, however, some of the assurances are not fully realised as shown in **Annexure-VIII**.

[12] The POSB offers various savings schemes like Savings Bank (SB), Recurring Deposits (RD), Time Deposits (TD), Public Provident Fund Accounts (PPF), Monthly Income Scheme (MIS) and Senior Citizens Savings Scheme (SCSS). These various savings schemes are available in the Head, Sub and Branch Post Offices (POs) for the convenience of the general public.

[13] M/s Datanet Corporation is a Bangalore based software developing company engaged by DoP for development of the software for Post Office Saving Bank needs. The company developed and made operational the software during 1997-98.

The present audit was conducted during July 2013 to September 2013 in 22 General Post Offices (GPOs)/Head Post Offices (HPOs)[14] and 21 Sub Offices (SOs)[15] in nine circles out of 22 Postal Circles[16], covering the period from 2010-11 to 2012-13**.**

3.2.1 Audit Findings

Audit findings relating to Banking and Money Transfer Operations in DoP highlighted significant deficiencies which are discussed below:

3.2.1.1 IT Controls/issues

(i) Non-preservation of periodical backups

The Backup Policy for preservation of data, issued by DoP in March 2010 stipulated that backup files ideally be saved on a node or transferred to a node after completion of transaction. Backups are to be written to an external media such as CD/DVD[17] every week and sent to the designated/identified office for safe custody.

Audit however observed that the instructions for preservation of periodical backups as mentioned above were not followed in eight POs[18] of four circles of the selected 43 POs.

The backup of data not only ensures restoration of the lost data in the event of some disaster or mishap but also play a crucial role in the event of frauds committed by the staff members in investigating and deciding the nature, cause and quantum of fraud. It was seen that the Departmental authorities were able to pin point the nature, cause and quantum of frauds in a number of cases as given in **Annexure-IX** because of availability of proper backups.

DoP accepted the audit observation and stated (October 2014) that instructions were issued (September 2014) to the circles reiterating the guidelines in this regard. It was further stated that after implementation of Core Banking Solutions (CBS) in all the Post Offices in a phased manner, the data would be stored automatically in the Central server and taking Back-up at each Post Office would not be required.

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[14] Chitradurga, Kolar, Mumbai, Mahim, Berhampur, Aska, Saharsa, Motihari, Jalandhar, Amritsar, St. Thomas Mount, Vellore, Trichy, Srirangam, Ernakulam, Thrissur, New Delhi, RAmesh Nagar, Mahbubnagar, Adilabad, Kadapa, Kurnool

[15] Challekere, Bangarpet, Churchgate, B S Road, MDC, Nuagaon, Supal, Raxaul, Modeltown, Rayya, Ashok Nagar, Gandhi Nagar, Teppakulam, Mannachanallur, Edappalli, Punkunnu, SRT Nagar, Tagore Garden, Nirmal, Yerramukkapalli, Kurnool Camp

[16] Circles are in general co-terminus with a State with few exception such as Maharashtra Circle covers states of Maharashtra and Goa, North Eastern Circle covers Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, Punjab Circle covers Punjab and Chandigarh, Tamilnadu Circle covers Tamilnadu and Puduchery and West Bengal Circle covers West Bengal, Sikkim and A&N Islands

[17] CD/DVD – Compact Disc/Digital Versatile Disc

[18] **Andhra Pradesh**-Mahabubnagar HO; **Bihar**-Motihari HO, Raxaul SO and Supaul SO; **Maharashtra**-Churchgate SO and Mumbai GPO; **Karnataka**-Bangarpet SO and Chitradurga HO

Though DoP accepts the audit observation, the fact remains that DoP had not taken any corrective measure on preservation of backups despite assurance given in Action Taken Note on the similar observation raised in the para 2.9.2 of Report No. 1 of 2006, as shown in **Annexure-VIII**.

Audit recommends that all the postal circles may be instructed to ensure that all the POs follow the defined backup policy and preservation of backup data without any exception and Directorate may evolve a system to monitor the same till the CBS is rolled out in all the POs.

(ii) Inadequate physical access controls - Server used for day to day operations

As per the security instructions (July 2004) of DoP, the server should not be accessible to any un-authorised person either through the network or in physical manner. A register should be maintained for regulating physical entry to the server room. The head of office will visit the server room at least once during the day to ensure that the security instruction is being followed. These instructions also envisaged that in post offices only the departmental software required for the operations has to be loaded in the computers.

Audit however observed non-compliance of these instructions in 4 POs[19] of three circles. It was seen that the server itself was being used as a node for performing day to day operations and was placed in a place easily accessible to all. The physical access controls become more important in the case of Sanchay Post as it is operating in a stand-alone mode in all the post offices with data residing in the local server. Access to the server leads to access to the database itself where all POSB transactions are being recorded, exposing it to the risk of fraud through direct data editing using Data Base Administrator (DBA) privileges available on the server.

DoP while accepting the audit observation (October 2014) stated that instructions were issued (September 2014) to the circles reiterating the guidelines in this regard. It was further stated that after implementation of CBS in all the Post Offices in a phased manner, the data would be maintained in the Central server to which the Postmaster or any employee at Post Office level would not have any access.

The reply of DoP is not acceptable as access to the server may give access to the database where all POSB transactions are being recorded, exposing it to the risk of fraud.

Audit recommends that the instructions, restricting access to server may be carried out effectively across all the postal circles so that the risk of manipulation of data could be minimised.

[19] **Andhra Pradesh**-Kadapa HO, Yerramukkapalli SO; **Bihar**- Supaul MDG; **Kerala**-Ernakulam HO

(iii) Usage of Data Entry Module for day to day activities of all Savings Bank (SB) schemes

DoP issued instructions (December 2007) and (January 2008) to uninstall the Data Entry Modules[20] of Sanchay Post. To facilitate legacy data (old data) entry and for starting ongoing and fresh entry, two separate data entry screens – Data Entry Module and Online Module, respectively were embedded in the system. But even after entering old data and starting the application with current ongoing accounts data, Audit found that most of the offices continued to use the legacy data entry screen. The continued use of Data Entry Modules resulted in non-validation of input data and exposed the system to risk of fraud[21]. Recognising this aspect, DoP had issued additional instructions in September 2012 on use of Data Entry module, also requiring maintenance of register of such changes duly signed by Postmaster/Sub Postmaster.

Audit found that in 17 post offices out of the selected 43, during the years 2010 - 11 to 2012-13, data entry module was being utilized for day to day work, i.e for account opening, deposit/withdrawal and transfer of account, etc. Even the prescribed register for recording the corrections made through data entry was not maintained in nine of these post offices.

Some of the observed instances indicating poor input validation control of data are given in Table-1 below:

Table-1

Sl. No.	Instruction	Finding
(1)	DoP issued instructions (August 2005) that outstanding balances in all SB Accounts other than individual accounts should be refunded to depositors on a date not later than 31 December 2005 and the deposits in an account other than individual account shall not earn any interest after 31 December 2005. These instructions were reiterated in July 2010 directing the circles to close all such accounts by 31 July 2010 and a certificate to that extent was to be forwarded to DoP Hqrs.	In 18 HOs/SOs of seven Postal Circles, 167 Public Accounts with a balance of ₹ 36,26,084 were still existing and an interest of ₹ 83,207 was also credited after 31 December 2005. This is in spite of implementation of software control incorporating 2005 instructions in online module by version 5 of Sanchay Post.

[20] The software had a data entry module separately for each savings scheme which was used for creating master data during the initial stages of computerization at the post offices. Once all data were entered, the data entry module was to be un-installed and transactions had to be carried out through the online module

[21] Many instance of fraud were determined to have been committed through use of Data Entry Modules (refer Annexure-IX)

Sl. No.	Instruction	Finding
(2)	The Post office Savings Bank Accounts Rules envisage[22] that the maximum amount of deposits to be retained in a Post Office savings bank Account was ₹ 1.00 lakh in single and ₹ 2.00 lakh in joint account and the interest payable to a SB account of Single type was ₹ 3,500 and for a joint account was ₹ 7,000 per annum till 30 September 2011.	In four circles out of the selected nine circles SB deposits in excess of the permissible limits were allowed in SB accounts in 10 HOs/SOs out of the selected 43 HOs/SOs and interest of ₹ 1,20,721 was allowed more than the prescribed maximum ceiling amount of ₹ 3,500 and ₹ 7,000 respectively in 39 numbers of SB accounts.

The above instances indicate that neither IT controls nor manual controls were adequate to prevent acceptance of deposits beyond the prescribed limits and there was no check on irregular interest being credited on deposits beyond accepted prescribed limits.

DoP accepted the audit observation and stated (October 2014) that the usage of data entry module for all SB schemes would automatically get discontinued once a Post Office is brought on the CBS platform.

The reply of DoP is not acceptable as until the Post Offices are brought on CBS platform, deposits beyond the prescribed limits and irregular credit of excess interest thereon would continue, which should not be allowed. Further, DoP in their ATN had also assured that before making a module online, the data entered is normally validated and only in case of exigency data entry module is used to make corrections. Despite assurance given by DoP, the deficiency continued to persist.

It is recommended that on the basis of audit observation, the similar exercise may be carried out by DoP in other Circles to ensure that deposits beyond the prescribed limit are not accepted and interest credited, if any, be recovered.

(iv) Pass book printer not working

One of the deliverables of Sanchay Post Package is printing of pass books of account holders. Printing of ledger copies of the account holders on the pass book after each transaction has the dual benefit of instilling confidence in the customer about his balances and also serves as a preventive control for frauds committed by counter clerks of not crediting the correct amounts deposited by the account holder. Since the aim was to minimise the manual intervention and to ensure that the deposits of the investors are actually deposited through 'Sanchay Post', passbook printers should have been available for printing pass books.

[22] Rules 4 and 5 of Post office Savings Accounts Rules 1981 in POSB Manual Vol.III

During the audit in eight post offices of three circles[23] it was observed that the pass book printers were not working and as a result, the entries in the pass book were made manually. It was also observed that in two SOs[24] though Saving Bank operations were computerised, the pass book printers were not supplied to these post offices.

DoP accepted the audit observation and stated (October 2014) that necessary instructions were issued (September 2014) to the Circles reiterating the guidelines in this regard.

3.2.1.2 Operational Issues

(i) Minus balances in SB Accounts

A banking software should have necessary inbuilt controls which prevents customers from withdrawing amounts in excess of the balance at credit. Strong controls should exist for preventing excess withdrawals, as POSB rules did not permit this.

DoP had identified the reasons for minus balances[25] and issued instructions (September 2004) to monitor the minus balances and take all the remedial measures to settle the same.

However, on an analysis of the data in nine HOs/SOs out of the selected 43 HOs/SOs (during July 2013 to September 2013) Audit observed that excess withdrawal of money, over and above the amount in deposit, was allowed in 213 SB accounts resulting in minus balances of ₹ 6.10 lakh. Details are given in Table-2 below:

Table-2
Details of SB accounts having minus balances

	Circle	Number of Post Offices	Number of SB accounts having minus balances	Amount of Minus balance (₹)
1	Bihar	1	6	15307
2	Kerala	3	52	47347
3	Tamil Nadu	4	154	448543
4	Delhi	1	1	98706
	Total	**9**	**213**	**609903**

DoP accepted the audit observation and stated (October 2014) that the Department had made concerted efforts to reduce minus balances in recent years by constant monitoring through fortnightly video conferences. It was further replied that the focussed efforts to settle the remaining minus balances were on.

23 **Andhra Pradesh**- Mahabubnagar-HO, Kadapa-HO, Kurnool B Camp-SO; **Karnataka**- Kolar-HO, Chitradurga-HO, Bangarpet-SO; **Bihar**- Motihari-HO, Raxaul-SO

24 Yerramukkapalli and Rayya under **Andhra Pradesh** and **Punjab** Postal Circles

25 Minus balance means making payments to an account holder in excess of the amount at his/her credit, which is a very serious irregularity.

Despite the instructions by DoP and assurance given in the ATN of the para 2.7.2.10 of C&AG Report No. 1 of 2006, the deficiency continued to persist (**Annexure-VIII**).

Audit recommends that DoP may carry out such exercise across all the POs and effective steps may be taken to prevent such lapse in future by introducing necessary IT controls in existing package or enforcing the necessary checks manually till the roll out of CBS.

(ii) Payment of interest without deducting TDS from SCSS Account

As per Rule 172 of POSB Manual Volume-I, an individual can open a Senior Citizen Savings Scheme (SCSS) Account with a minimum of ₹ 1,000 and a maximum of ₹ 15.00 lakh. Quarterly interest is payable on these accounts. An individual of the age of 60 years or more may open such account with a maturity period of five years. An individual of the age of 55 years or more but less than 60 years who has retired on superannuation or under Voluntary Retirement Scheme can also open such account, subject to the condition that the account is opened within one month of receipt of retirement benefits and the SCSS deposit should not exceed the amount of retirement benefits. DoP issued instructions (September 2010) regarding TDS[26] which stipulated that tax should be deducted at source @ 10 *per cent*, if the amount of interest exceeds ₹ 10,000 in a financial year. TDS is not to be deducted if the payee up to the age of 65 years gives declaration in Form 15-G[27] that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be NIL. In case of senior citizens of the age of 65 years or above age, declaration should be in Form 15-H. No Surcharge or Education Cess and Secondary Education Cess is to be deducted.

Audit found that in six HOs/SOs of three circles, TDS of ₹ 13,29,455 in respect of 365 depositors was not deducted from SCSS accounts though the depositors had not submitted Form 15G/15H (in duplicate). The details are given in Table-3 below:

Table-3
Details of non-recovery of TDS from SCSS Depositors

Circle	Number of Post Offices	Total number of Accounts involved	Amount of TDS not recovered (₹)
Tamil Nadu	3	348	11,19,356
Kerala	2	16	1,76,349
Karnataka	1	1	33,750
Total	**6**	**365**	**13,29,455**

[26] TDS – Tax Deduction at Source

[27] Form No. 15G and Form No. 15H are self-declaration forms required to be furnished by the assessee to his banker for nil deduction / lower deduction of TDS (tax deducted at source) on interest on deposit

DoP accepted the audit observation and stated (October 2014) that instructions were issued (September 2014) to the Circles reiterating the guidelines in this regard.

Though DoP accepted the lapse, the fact remains that it was the responsibility of the Postmasters to deduct TDS from the accounts of depositors, who had not submitted Form 15-G or Form 15-H. By not deducting and depositing the TDS, the concerned Postmasters are liable to be penalised by the Income Tax Department as per the relevant provisions under Income Tax Act. This lapse on the part of concerned postmasters resulted in non-deduction of TDS of ₹ 13.29 lakh. It is recommended that DoP may evolve a system to ensure the compliance of deduction of TDS, if Form 15-G and Form 15-H are not submitted by the depositors.

(iii) Non-preservation of Depositor Applications Forms

Rule 21(1) of POSB Manual, Volume-I, provides that the application forms containing specimen signatures shall be kept in guard files. The signature in the application form should be used to check the signature on the application for withdrawal or transfer of the account. The signatures are also required to be scanned and stored in Sanchay Post software. Manual preservation of specimen signatures was also mandatory.

Audit observed that in 10 Post Offices of five Postal Circles, the original application forms for 1,060 depositors were not available for verification as given below in Table-4**:**

Table-4
Details of non-availability of depositor application forms

Circle	Number of Post Offices	Number of deposits checked	Total number of deposits without application form
Andhra Pradesh	4	1,37,032	865
Tamil Nadu	2	244	145
Kerala	2	44	21
Karnataka	1	24	16
Delhi	1	16	13
Total	**10**	**1,37,360**	**1,060**

Further on a test check in two HPOs of Andhra Pradesh Postal Circle, it was observed that specimen signature in respect of 96 depositors were not available in the database of Sanchay Post. The original application forms with the signature of deposit holders were also not available in the Post Offices.

DoP accepted the audit observation and stated (October 2014) that the availability of scanned signatures was being monitored now. It was further stated that these inconsistencies are being attended while migrating to CBS.

Though DoP confirms the system failure, the fact remains that in case the original application itself was not available in the post office and specimen signatures were not available, there are risks of the amount being paid to a third person or the frauds may take place by taking advantage of the non-availability of original details of the depositor. Thus, DoP should ensure that application forms containing specimen signatures are kept in safe custody.

(iv) Operating the accounts without names of the depositors

As per Rule 23 of POSB Volume-I, a customer while opening an account is required to fill his name, address etc in the prescribed application form. Post Master should verify whether all the columns available on the application form were properly filled in by the depositor. After verification, the details along with specimen signature of the depositor have to be fed into Sanchay Post database and are important for identification of the customer.

An analysis of data of Sanchay Post Database by Audit during July 2013 to September 2013, in 11 HOs/SOs of six Postal Circles, revealed that the name and address field were filled with junk data in 773 accounts. The name of the account holder was recorded as 'POSTMASTER' 'sdfdsf' or 'xyz'. These instances indicate that the concerned Postmasters were opening and authenticating the accounts without ascertaining the actual name and address of the depositor, in violation of the guidelines of Reserve Bank of India regarding 'Know Your Customers'[28] (KYC). Hence, the objective of the KYC guidelines, to prevent POs being used by the criminal elements for money laundering, is defeated. The details are given in Table-5 below:

Table-5
Details of accounts operating with junk data

	Circle	Number of Post offices	Number of Accounts checked	Number of Accounts having junk data
1	Andhra Pradesh	3	37,481	708
2	Delhi	1	145	7
3	Karnataka	1	32	3
4	Kerala	2	44	5
5	Maharashtra	1	145	44
6	Tamil Nadu	3	315	6
	Total	**11**	**38,162**	**773**

[28] This is used for customer identification process which involves reasonable efforts to determine true identity and beneficial ownership of accounts, source of fund, the natures of customers business, reasonableness of operations in the account in relation to the customers' business etc.

DoP accepted the audit observation and stated (October 2014) that prior to rollout of CBS in Post Offices in phased manner, the data would be cleansed and it would not be possible to open and operate accounts without names and addresses of the depositors.

The contention of DoP that prior to rollout of CBS in Post Offices in phased manner, the data would be cleansed is not acceptable as till the time CBS is rolled out, acceptance of junk data and the approval of postmasters to open such accounts cannot be accepted. Further, similar exercise may be done for other offices and KYC guidelines should be implemented without any exception for all the account holders in all the POs.

3.2.1.3 Problems or errors caused due to non-availability of unique id for account holders

(i) Opening of more than one savings bank account by the same depositor in the same post office

POSB Rule[29] stipulates that single accounts can be opened by an adult or a minor or on behalf of a minor or a person of unsound mind by a guardian. Joint accounts can be opened by two or three adults to be operated by them (a) jointly or by the survivors/survivor which is called Joint-A type account (b) either of them/any of them or either of the survivors or survivor which is called Joint-B type account. Any number of the accounts can be opened by the depositor(s) but not more than one single and one joint account can be opened in each post office.

On a scrutiny of the SB Accounts in Sanchay Post Package for the years 2010-11 to 2012-13, it was noticed that in nine HOs/SOs under four Circles out of the 43 selected HOs/SOs, 31 depositors opened more than one SB Account in the same post office. The details are given in Table-6 below:

Table-6
Details of opening of more than one SB account by the same depositor in the same post office

	Circle	Number of Post offices	Number of depositors opened more than one SB account
1	Andhra Pradesh	3	21
2	Bihar	2	2
3	Tamil Nadu	3	4
4	Punjab	1	4
	Total	**9**	**31**

[29] Rule 20 (I) of POSB Manual Vol.I,

Thus, inadequacies in the software and omission on the part of concerned Postmaster in verifying the details of account holders resulted in opening of duplicate accounts in the same post office in contravention of rules.

DoP accepted the audit observation and stated (October 2014) that there is no customer id in Sanchay Post database and opening of more than one SB account by the same person is possible. It was further replied that after rollout of CBS in all Post Offices in a phased manner, no individual would be in a position to maintain two SB accounts in the same Post Office.

DoP may instruct the Circles to weed out duplicate account in time bound manner in all the POs after verifying the accounts.

(ii) Irregular opening/acceptance of subscription in PPF accounts resulting in irregular payment of interest

Rule 150 (iii) of POSB Manual Volume-I stipulate that an individual may subscribe to the Public Provident Fund (PPF) scheme on his/her own behalf or on behalf of a minor of whom he/she is a guardian, which should not exceed ₹ 70,000[30] in a year in all accounts taken together. The contribution in excess of limit was to be refunded to the subscriber without any interest. In August 1992, MoF directed that a subscriber may, on the expiry of 15 years from the end of the year in which the initial subscription was made but before the expiry of one year thereafter, may exercise an option that he would continue to subscribe for a further period of five years, failing which these deposits will be treated as irregular deposits and will not carry any interest. DoP in December 2010 stipulated that PPF accounts opened in the name of Hindu Undivided Family (HUF) prior to 13 May 2005 cannot be extended after maturity and no deposit can be accepted in such accounts after maturity. It was further stipulated that PPF account opened in the name of HUF prior to 13 May 2005 which have already matured but not yet closed shall be closed on 31 March 2011 after which no further interest was admissible.

Test check of records in 67 Post Offices for the period from March 2010 to March 2013 in 13 circles, revealed that, deposits were made by subscribers beyond the prescribed limit; after maturity in HUF accounts and after maturity without proper extension which resulted in irregular payment of interest of ₹ 5.72 crore during 2010-11 to 2012-13 on these PPF accounts. These irregularities remained undetected by the PPF authorities until pointed out by Audit. The details are furnished in **Annexure-X**.

[30] Enhanced to ₹ 1,00,000 with effect from 1 December 2011 vide SB Order No.24/2011 dated 24 November 2011

On this being pointed out by Audit, DoP while accepting the audit observation stated (October 2014) that as there is no customer-id in Sanchay Post database, considering the maximum prescribed limit for PPF accounts standing in one's name and in minor's name with the same person as guardian is not possible in Sanchay Post. It was further stated that the Circles have already been directed for recovery of the excess paid interest. DoP also stated that after rollout of CBS in all Post Offices in phased manner such discrepancies would not occur.

The reply of DoP is not tenable as Audit comment on the irregular opening/acceptance of subscription in PPF accounts is based on the analysis of data/records maintained in the post offices, which was provided to Audit. This indicates that the Post Offices did not carry out due diligence and enforce the checks with regard to irregular payment of interest which was within their domain of work. Further, internal audit wing of DoP should have been vigilant enough to point out such irregularities in future.

(iii) Acceptance of Monthly Income Scheme (MIS) deposits in excess of prescribed limits and allowing of interest thereon.

DoP circulated MoF instructions (September 2007) which stipulated that an individual can open a Monthly Income Scheme (MIS) account with multiples of ₹ 1,500. The maximum investment limit is ₹ 4.50 lakhs in single account and ₹ 9.00 lakhs in joint account. Further, if an account is opened through an authorised agent, a commission is also paid to the agent for opening and subsequent deposit into the account.

As per Rule 168(6) of POSB Manual Volume-I, if a depositor has made an excess investment beyond the prescribed limit in MIS Scheme, the excess deposit beyond the prescribed limit will be refunded at POSB rate of interest to the depositor. The interest already paid on the excess amount will be recovered/ adjusted from the amount refunded. The commission paid to the agent on the excess investment will also be recovered.

A test check of MIS accounts in 17 HOs/SOs, in seven Postal Circles, revealed that the depositors made excess deposits amounting to ₹ 3.29 crore and excess payment of interest of ₹ 26.63 lakh in 105 number of cases was paid by these Post Offices. Further, these accounts were opened through authorized agents, as such commission to the extent of ₹ 89,851 was also to be recovered from the agents. The details of excess paid interest are given in Table-7 below:

Table-7
Details of acceptance of MIS deposits in excess of prescribed limits and allowing of interest there on

	Circle	Number of Post offices	Number of cases	Amount of excess paid interest (₹)
1	Andhra Pradesh	6	32	525020
2	Tamil Nadu	1	2	26438
3	Karnataka	1	1	6442
4	Maharashtra	3	23	598778
5	Odisha	1	4	35095
6	Bihar	4	41	1294172
7	Punjab	1	2	177125
	Total	**17**	**105**	**2663070**

DoP while agreeing to the Audit observation stated (October 2014) that the circles have already been directed to recover the excess paid interest. It was further replied that after rollout of CBS in all Post Offices in phased manner such discrepancies would not occur.

Though DoP accepted the audit comments, however there is an urgent need to incorporate necessary IT or manual control (if IT control is not feasible) so that excess deposits as well as irregular interest thereon is not allowed to be credited into depositors account. Further DoP may take steps to identify such lapses in all other POs and ensure that excess interest and the commission, on the deposits beyond prescribed limit, may be recovered from the concerned depositors and agents respectively. DoP may also ensure that these lapses do not recur even prior to rollout of CBS in all Post Offices.

3.2.1.4 Delay in delivery of Electronic transmission of money order (eMOs)

eMO facilitates transmission of Money Orders electronically among connected post offices (HOs and SOs) registered as eMO offices. The eMO network reduces the need for physical transmission of Money Orders and the objective of the system is to ensure that MOs get paid within a day of booking. In the manual system correctness of the PIN Code was not critical. However, in the eMO system, the transmission is entirely dependent on the correctness of the PIN Code.

During Audit in 12 HOs/GPO[31] under six circles, delay in delivery was observed in 56,258 eMOs out of which 54,185 (96 *per cent*) eMOs were due to incorrect PIN Code. It is the responsibility of Postal Assistant to select the correct PIN code of the payment office irrespective of whether it is eMO office or not.

[31] **Kerala** - Thrissur-HO, Ernakulam-HO; **Andhra Pradesh** - Kadapa-HO, Kurnool-HO; **Bihar** - Motihari-HO; **Tamil Nadu** - St.Thomas Mount-HO, Trichy-HO, Sri Rangam-HO, Vellore-HO; **Delhi** - New Delhi-HO; **Maharashtra** - Mumbai-GPO and Mahim-HO

DoP accepted the audit observation and stated (October 2014) that instructions were issued (September 2014) to the Circles reiterating the guidelines in this regard.

Conclusion

The objective of computerisation of postal savings bank functions through the Sanchay Post software was to reap the benefits of IT to improve the operational performance, besides providing error free and faster service to the customers. As pointed out in this report, the assurances given by DoP in their Action taken Report for the Performance Audit Report No.1 of 2006 of C&AG on Sanchay Post on various parameters, were not fully realised.

The database has not been secured and its present position is easily susceptible to data manipulation, which may lead to fraud. As data entry mode is being used for data entry even when on-line module is in operation, the data does not get validated by the controls/ rules built into the software causing many rule violations in opening of accounts and loss to Government besides exposing system to the risk of fraud.

The software is unable to exercise necessary control to prevent opening of multiple/excess accounts and deposits, thus causing loss to government due to payment of excess interest. The customer application forms which were the only available information given by the customer duly signed by him with the necessary declarations were not preserved in many POs.

DoP needs to urgently address these inadequacies and ensure that Core Banking Solutions that it intends to implement in the near future addresses these system shortcomings. In the meantime, the manual controls should be strengthened to prevent any irregular payment of interest and commission to the depositors and agent respectively. Further, DoP may carry out such exercise across all the POs for identification of similar cases so as to draw assurances from the senior management that Government money has not been paid irregularly.

3.3 Excess claim of remuneration amounting to ₹ 63.88 crore

In Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu Postal Circles, MSY accounts were treated as live accounts in violation of instructions issued by DoP Directorate and remuneration of ₹ 63.88 crore was claimed on these MSY accounts from the Ministry of Finance

Government of India introduced (September 1993) a scheme called Mahila Samriddhi Yojana (MSY) to encourage savings among rural women in the country. The Scheme came into effect from 1 October 1993. Under this scheme, incentives were paid to rural women who opened and operated Mahila Samriddhi Accounts in Post Offices.

Subsequently, Government of India discontinued this scheme and merged it with the "Swayamsidha" Scheme with effect from July 2001. The existing MSY account holders were given an option to convert their accounts into Saving Bank (SB) Accounts with Post Offices. However, this option was not exercised by a number of MSY account holders, and a large number of MSY accounts continued to exist in the books of Post Offices. Department of Posts (DoP) issued (April 2011) instructions to all Heads of Circles to close these accounts by charging prescribed service charge. DoP is paid remuneration from Ministry of Finance (MoF) for live SB accounts as per rates prescribed by the MoF.

Audit scrutiny (June 2013 to August 2014) of records of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu Postal Circles revealed that instead of complying with April 2011 instructions, these Circles continued to treat MSY accounts as live SB accounts and accordingly claimed remuneration of ₹ 63.88 crore from MoF for 2011-12 to 2013-14 as shown in the **Annexure-XI**. Further it was found that Directorate of DoP had failed to monitor the closure or conversion of the MSY accounts since July 2001.

On this being pointed out by Audit (July 2014), DoP took up the matter (September 2014) with the MoF wherein it was stated that Postal Circles had been addressed to reconcile their SB live accounts figures for the last three financial years and excess claim, if any, would be adjusted in the claim to be preferred by DoP from MoF for the year 2014-15.

The fact remains that the circles failed to comply with the instructions issued by DoP in April 2011 to close all MSY accounts and continued to treat these accounts as live SB accounts for the purpose of claiming remuneration. DoP also did not keep a watch over the closure of MSY accounts and claimed remuneration of ₹ 63.88 crore at SB rates for these ineligible accounts without verifying the information provided by the Circles.

It is, therefore, imperative that DoP Directorate before claiming the remuneration from MoF should ensure that the remuneration is being claimed correctly and no remuneration is being claimed on those accounts which were to be closed.

3.4 Failure to raise claim against other departments

Department of Post initially failed to raise claim ₹ 15.37 crore towards pension payments in West Bengal Postal Circles, service tax on speed post charges for delivery of Aadhaar letters and service charges for disbursement of Social Security Pensions in Andhra Pradesh out of which an amount of ₹ 12.22 crore was recovered/claimed only after being pointed out by Audit.

Department of Posts (DoP) besides providing Postal Services also performs agency functions, which include disbursement of pension/family pension and social security pension to the pensioners/family pensioners on behalf of Central Government departments, State Governments, Autonomous Organizations etc,. Further, as per Memorandum of Understanding (MoU) with Unique Identification Authority of India (UIDAI), delivery of Aadhaar Cards through Speed Post on concessional rate is also being done by DoP.

Scrutiny of records in West Bengal and Andhra Pradesh Postal Circles revealed the following:

- **Failure to raise claims for payment of pension**

The payment of pension/family pension to pensioners/family pensioners of other departments is made through Head Post Offices (HPOs) and Sub Post Offices (SPOs). HPOs are required to send monthly cash account along with relevant payment schedules to the Circle Accounts Office to affect recovery from the Department/Undertakings concerned.

Audit scrutiny (April 2013) of records of General Manager, Postal Accounts and Finance (GM (PAF)) West Bengal Postal Circle, Kolkata revealed that claims were not raised against Railways, Telecom and EPF Organisation for pension payment of ₹ 13.02 crore **(Annexure-XII)** through 22 HPOs/POs during the period from 1989-90 to 2012-13.

On this being pointed out by Audit, DoP while agreeing to the facts stated (August 2014) that an amount of ₹ 9.87 crore had been adjusted/claimed and the efforts were being made to recover the remaining amount. Further, DoP also directed all Postal Accounts Offices to streamline the system of timely raising of claims by writing/pursuing with the HPOs under their account jurisdiction.

- **Non-realisation of service tax from UIDAI on speed post charges**

DoP entered into a Memorandum of Understanding (MoU) with the Unique Identification Authority of India (UIDAI) in April 2010 for delivery of Aadhaar Cards through Speed Post across the country. The agreement was valid for two years. However, after the expiry of MoU, in April 2012, DoP continued to provide service for booking, transmission and delivery of Aadhaar letters at a mutually agreed rate of ₹ 20 per Aadhaar letter up to 50 grams.

DoP revised (September 2012) the speed post tariff from 01 October 2012 whereby charges for articles up to 50 grams were revised to ₹ 35 excluding Service Tax which was also applicable for Aadhaar letters. However, DoP decided to charge at a uniform special rate of ₹ 20 plus service tax per Aadhaar letter posted as speed post item from October 2012 weighing up to 50 grams.

Audit scrutiny of records (January 2013) in Andhra Pradesh Postal Circle, Hyderabad revealed that the billing for delivery of Aadhaar letters as speed post during November and December 2012 was made at a rate of ₹ 20 per article and no service tax as prescribed were charged from the UIDAI. This lapse on the part of postal authorities in Andhra Pradesh Circle resulted in non-realisation of service tax of ₹ 1.17 crore as detailed in Table-1 below:

Table-1

Month	Rate of Speed Post (₹)	Service Tax @12.36% (₹)	Total rate to be charged (₹)	Actual rate charged (₹)	Short Billing per article (₹)	Number of articles booked in the month	Short Billed amount *(₹ in lakh)*
November 2012	20	2.47	22.47	20	2.47	5,88,456	14.53
December 2012	20	2.47	22.47	20	2.47	41,56,814	102.67
					Total	**47,45,270**	**117.20**

On this being pointed out (January 2013) by Audit, it was replied (June 2014) by the Assistant Postmaster General (FS&BD), Office of the Chief Post Master General, Hyderabad that the entire amount of ₹ 1.17 crore had been recovered from UIDAI, New Delhi.

- **Non-realisation of service charges for disbursement of social security pension**

Government of Andhra Pradesh (GoAP) entered into a MoU with DoP in June 2009 for disbursement of National Rural Employment Guarantee Scheme (NREGS) wages. In order to have an electronic and effective mode of payment mechanism for disbursement of Social Security Pensions (SSP) i.e. the old age pensions, widow pensions and disabled pension, the MoU was subsequently amended in March 2011 to include disbursement of SSP. The amendment of March 2011 in MoU stipulated that GoAP would pay service charges @ 1.25 *per cent* and 0.6 *per cent* to DoP for disbursement of pension through Post Offices and Post Office franchisees[32] respectively.

Audit scrutiny of records (September 2013) of Chief Postmaster General, Andhra Pradesh Circle, Hyderabad revealed that though ₹ 112.24 crore was disbursed towards pension under two Postal Regions[33] comprising five Postal Divisions during January 2013 to June 2013 service charges @ 1.25 *per cent* and 0.6 *per cent* respectively were not realised from GoAP. This lapse resulted in non-realization of service charges to the extent of ₹ 1.18 crore by AP Postal Circle as indicated in the Table-2 given below:

[32] The franchisees would be one of Self Help Group members of the village as selected officials of Rural Development Department of Government of Andhra Pradesh

[33] Hyderabad and Kurnool

Table-2

(₹ in lakh)

Name of Division	Period during which pension disbursed	Pension Disbursed through		Service charge due for		Total Col. (5) + Col. (6)
		Post offices	Franchi-see	Post offices @1.25%	Franchi-see @ 0.6%	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Chitoor	March 13 to June 13	1,051.12	352.11	13.13	2.11	15.24
Tirupati	February 13 to June 13	1,013.86	406.33	12.67	2.43	15.10
Nalgonda	January 13 to June 13	1,862.81	573.48	23.28	3.44	26.72
Nizamabad	January 13 to June 13	1,924.90	1,641.85	24.06	9.85	33.91
Suryapet	January 13 to June 13	1,896.57	501.33	23.70	3.00	26.70
Total		**7,749.26**	**3,475.09**	**96.84**	**20.83**	**117.67**

DoP in its reply stated (September 2014) that since July 2013, administrative process in Andhra Pradesh was hampered due to Telangana bifurcation on account of which there was a delay in release of service charges by the State Govt. It was also stated that entire dues as pointed out by Audit were recovered from State Government by March 2014.

Thus due to lack of effective action by DoP an amount of ₹ 15.37 crore was not claimed for services provided to other departments. However, after being pointed out by Audit, an amount of ₹ 12.22 crore was recovered/claimed. DoP may examine pension claims as well as service charges and service taxes to be collected from other government organizations across all the postal circles and take effective measures to recover the outstanding claims.

3.5 Non-availing of discount of ₹ 91.37 lakh for telephone services and broadband internet connections

Failure to take timely follow up action by Postal Regions/Divisions on instructions of Postal Directorate resulted in non-availing of discount of ₹ 91.37 lakh on telephone/broad band internet bills from BSNL.

Department of Posts (DoP) entered into a Memorandum of Understanding (MoU) with M/s Bharat Sanchar Nigam Limited (BSNL) in December 2006, for provision of telecom services[34] to DoP. A special package was extended by BSNL to DoP, in May 2008, which included waiver of installation charges and security deposit, free internet, besides allowing

[34] Voice telephone, broadband etc.

discount[35] for land line telephone charges, if combined monthly bill amount for the telephone connections in a Secondary Switching Area exceeded ₹ 1 lakh in a month. In addition, a flat discount of 10 *per cent* for all broad band connections was also extended. Accordingly, Postal Directorate instructed (May 2008) to all Heads of Circles to take full advantage of the above package and to avail the same, in pursuance of MoU signed between BSNL and DoP for various telecom services.

Audit scrutiny of records (March 2013 to May 2014) revealed that Post Masters General (PMsG) /Senior Superintendents of Post Offices (SSPOs) of nine[36] regions/divisions in six Postal Circles failed to take up timely follow up action on the instructions issued by the Postal Directorate which resulted in non-availing of discount (May 2008 to April 2014) to the extent of ₹ 73.72 lakh for telephone connections for which bills exceeded ₹ 1 lakh and ₹ 17.65 lakh for broadband connections as detailed in **Annexure-XIII**. DoP also failed to monitor the follow up action taken by the Circles on the matter.

On this being pointed out by Audit ((March 2013 to May 2014), the PMsG Central, Southern and Western regions Tamil Nadu Circle and SSPO Jalandhar in Punjab Circle while accepting the audit observation stated that matter would be taken up with BSNL to avail discount. The SSPO Patiala, Ambala and Jammu stated that no discount was availed as no MoU was received in their offices. The CPMG, Andhra Pradesh Circle replied that centralized billing was not done in order to keep a watch over the expenditure. SSPO Jaipur, Rajasthan Circle replied that matter has been taken up with Circle Office for taking up the case with BSNL to avail the discount.

Thus lapses on the part of these circles to keep a track of the instructions issued by DoP resulted in non-availing of discount to the extent of ₹ 91.37 lakh from BSNL. The above instances also indicate failure of internal control and monitoring mechanism at Circle and Directorate level. Therefore, DoP needs to review such lapses across all the postal circles and ensure that discount offered by BSNL on various services is availed by the respective postal circles.

The matter was referred to DoP in July 2014. Reply was awaited as of October 2014.

[35] Bills between ₹ 1 and 2 lakh– 5*per cent* and above ₹ 2 lakh – 10*per cent*

[36] Southern Tamil Nadu, Western Tamil Nadu, Cetral Tamil Nadu, Hyderabad, Jaipur, Jalandhar, Patiala, Ambala, Jammu.

3.6 Excess retention of cash balance

In violation of codal provisions, cash in excess of the prescribed maximum limit was retained in 25 Post Offices test checked in nine Postal Circles.

Rule 128 of Postal Financial Hand Book Volume I provide that cash balance in Post Offices should be kept as low as possible consistently with proper working of Post Office and should except, in very special circumstances, be within the limits of daily maximum and minimum cash balances prescribed by Senior Superintendent of Post Offices (SSPO)/Chief Post Masters General (CPMG). The object of fixing maximum cash balances for post offices is to avoid, as far as possible, the retention of unnecessarily large sums of money. The cash in excess of the maximum limit fixed by the competent authority should be remitted to bank. As per Rule 150 of Postal Manual Volume VIII, the retention of cash balance in Post Offices is to be monitored through weekly statement of cash balance report sent by Head Post Offices/General Post Offices to Divisional/Circle Offices for verification/investigation. This rule also provides that in case the excess balances are retained frequently in any Post Office, SSPO should properly investigate the matter and report the same to Circle Office.

A comment on retention of excess cash was made in Report No. 1 of 2007 wherein a recommendation was made by audit that "effective measures should be taken to retain the cash balances within the authorized limits through better coordination, effective monitoring and by allowing post offices with large cash transactions to deal with banks directly and issue cheques instead of making cash payments". DoP in their Action Taken Note (ATN) dated 11 November 2008 accepted the recommendation of the Comptroller and Auditor General of India and stated that the Directorate was monitoring compliance of recommendations.

However, despite the assurance given by DoP as mentioned above, the deficiency continued to persist. Audit scrutiny (July 2013 to June 2014) of records in 25 Post Offices[37] in nine Postal Circles[38] revealed that cash balances retained by these Post Offices were abnormally in excess of the prescribed limit **(Annexure-XIV)** and the excess cash was not remitted to Bank. It was further observed that on a number of occasions, though opening cash balance itself was sufficient to meet day's requirements, heavy cash was drawn from Bank which also contributed to retention of cash beyond the prescribed limits. Further, the weekly statement of cash balance, which was an important tool for monitoring retention of excess cash in post offices, was also not being sent to Divisional/Circle Offices regularly by 12 Post Offices out of 25.

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[37] Bengaluru, Basavanagudi, R.T. Nagar, HAL, Jaynagar, R Nagar, Jalahalli, Nagpur, Mumbai, Ludhiana, Jalandhar, Jammu, Ambala Cantt, Shimla, Jehanabad, Gopalganj, Lucknow, Chowk Lucknow, Faizabad, Jhansi, Chennai, Virudhachalam, Periakulam, Kallakurichi and Tirupattur

[38] Karnataka, Maharashtra, Punjab, Jammu and Kashmir, Haryana, Himachal Pradesh, Bihar, Uttar Pradesh and Tamil Nadu

On this being pointed out by Audit, all the nine Circles stated that since the cash was received from Sub Offices (SOs) after closing hours of the bank, excess cash was retained in the HPOs. It was also stated that in case of bank holiday or strike in bank on any day, cash was to be withdrawn on previous day and excess cash was retained to meet the requirement of Sub Offices during early hours. It was stated by GPO Nagpur that statement of balances was not sent to higher authorities due to heavy receipt of cash from Sub Offices and counters.

The replies of the Postal Circles are general in nature and do not justify retention of cash abnormally in excess of the prescribed limits on regular basis. It also indicates that cash management was not planned properly and no action was taken to assess the requirements of cash on day to day basis.

Further, DoP in their ATN to Para 2.7.1.2 of Report No.1 of 2007 had also stated that the issue of cheques at Sub Office level was also taken up to facilitate issue of cheques instead of cash at SOs and any payment of more than ₹ 20,000 was compulsorily to be made through cheque.

Thus, had these steps been taken in totality, excess retention of cash could have been minimized. Moreover, retention of excess cash is also fraught with the risk of misappropriation of Government money or theft due to inadequate security arrangements as is evident from instances given below:

- Embezzlement of ₹ 40 lakh kept in unembedded chest in HPO, Jalandhar in November 2008;
- An amount ₹ 24.67 lakh was burgled in September 2007 in HPO Jaunpur due to inadequate security arrangements.

Thus, failure of Post Offices to comply with codal provisions resulted into unwarranted retention of cash balance abnormally in excess of prescribed limit. Further, because of weak internal control system in Divisional/Circle Office, cash retained in excess of the prescribed limit went unnoticed and no investigation was carried out for retention of excess cash by the Divisional/Circle Offices. Besides, DoP failed to evolve a mechanism for proper cash management despite assurance given by them.

The matter was referred to DoP in July 2014. Reply was awaited as of October 2014.

CHAPTER-IV
DEPARTMENT OF ELECTRONICS AND INFORMATION TECHNOLOGY

4.1 Creation of Infrastructure for National e-Governance Plan (NeGP) and Delivery of Services to common citizens through Common Service Centres (CSCs)

4.1.1 Introduction

In order to bring about 'Simple, Moral, Accountable, Responsive and Transparent' (SMART) governance[1], Union Cabinet approved (May 2006) an integrated approach for implementation of e-Governance programme 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".

NeGP was conceptualized as a centralized initiative with decentralized implementation. Department of Electronics and Information Technology (DeitY) (erstwhile Department of Information Technology - DIT) was to be the facilitator and catalyst for its implementation and for providing technical assistance to various Ministries and State Governments. DeitY was assigned the pivotal role of providing guidance to the States/ UTs (Union Territories) for implementation of the component schemes of NeGP. The States/UTs were vested with the responsibility of actual implementation of the plan.

Implementation

According to Cabinet note on approach and key components of National e-Governance Plan (NeGP) for effective implementation of NeGP, there was a need to create the right governance and institutional mechanisms, set up core infrastructure, formulate key policies, standards and legal framework for adaptation and channelize private sector technical and financial resources into NeGP efforts. For this purpose, eight[2] key components were identified for implementation.

[1] Report of the Working Group on Convergence and e-Governance for the 10th Plan, Planning Commission

[2] Core Policies, Core Infrastructure (SWAN, SDC etc.), Support Infrastructure (CSCs etc.), Technical Assistance, Research and Development, Human Resource Development and Training, Awareness and Assessment, and Organization Structures.

NeGP infrastructure

The e-governance scheme broadly consists of the following major components:

- Core infrastructure - State Wide Area Net Work (SWAN) and State Data Centre (SDC) and State Service Delivery Gateway (SSDG) –Middleware
- Common Service Centers (CSCs) – Front end

4.1.2 Audit Scope & Methodology

In order to review the progress of infrastructure preparedness for rolling out various e-Governance services to the citizen, the planning and implementation of the four infrastructure schemes viz. SWAN, SDC, SSDG and CSC, provision of technical assistance to these schemes and tracking of utilization of the financial outlays in the light of the role assigned to DeitY as the facilitator and pilot for the implementation of the plan for the period from 2006-07 to 2012-13 was seen in Audit. At the State level, Audit also covered the efficiency in the implementation of the infrastructure schemes, their effective utilization and the performance of CSCs to deliver government services to citizens (G2C). Audit methodology included examination of records at DeitY Headquarters at the centre and at the IT Departments/Implementing agencies in the selected States. The audit methodology was also guided by interaction with stakeholders. The focus of audit was to see whether the Planning, coordination and programme formulation for creation of common/support infrastructure for NeGP were in line with the Government's approach to e-governance and the core infrastructure (SWAN, SDC, SSDG, and CSC) was planned and created in a coordinated manner to facilitate effective implementation of NeGP.

Entry conference was held with top management of DeitY (October 2012) to appraise them of important audit objectives and the audit methodology. The views of the Management were also considered to fine tune the audit approach. Field audit at the State level was carried out during the period from September 2012 to March 2013 and audit findings were communicated to the respective State Governments. Exit conference was held with top management of DeitY (April 2014) and responses of the Management has also been included in the Report.

Audit sample

We selected ten States viz. Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Rajasthan and Tamil Nadu based on the progress achieved in implementation of core infrastructure under NeGP. The States were identified in consultation with DeitY.

Implementation, utilization of resources and monitoring of all the four infrastructure projects in the above ten selected States were covered in Audit. 40 CSCs in each of the above States were visited by the Audit teams for assessing their operations and service delivery.

Financial outlay

The expenditure under the NeGP was to be shared between Central and State Government with a ratio of 60 *per cent* as DeitY share in the form of Grants-in-aids (GIA) and 40 *per cent* as State share through Planning Commission as Additional Central Assistance (ACA) for SWAN. In respect of State Data Centre Scheme, the ratio was 36 *per cent* as GIA and 64 *per cent* as ACA whereas for the CSC and SSDG the share was in equal ratio.

Financial outlay in respect of the infrastructure schemes and its utilization as of March 2013 is indicated below:

Table-1
Financial outlay of four infrastructures

(₹ in crore)

Component	Fund sanctioned		Funds released		Utilization	
	Grant in Aid (GIA) GOI Share	Additional Central Assistance (ACA) State Share	Grant in Aid (GIA) GOI Share	Additional Central Assistance (ACA) State Share	Grant in Aid (GIA) GOI Share	Additional Central Assistance (ACA) State Share
SWAN	2128.50	775.22	904.97	574.64	877.69	552.23
SDC	455.64	922.86	159.15	195.69	129.95	45.12
SSDG	180.69	180.69	120.49	85.6	50.84	23.04
CSC	517.48	517.48	251.79	216.60	72.82	25.26
TOTAL	**3282.31**	**2396.25**	**1436.4**	**1072.53**	**1131.30**	**645.65**

(Source: DeitY records)

4.1.3 Audit findings

4.1.3.1 State Wide Area Network (SWAN)

SWAN is envisaged as the converged backbone network for data, voice and video communications across a state that would cater to the information communication requirements of all departments functioning in the State. The scheme proposed to connect the State Head Quarter (SHQ) with all District Head Quarters (DHQ) and all Block Head Quarters (BHQ) with minimum 2 Mbps[3] leased line. The objective of the Scheme was to create a secure close user group (CUG) government network for the purpose of delivering

[3] Mega Byte per second

government to government (G2G) services and government to citizens (G2C) services. The scheme was approved by Cabinet Committee on Economic Affairs (CCEA) in March 2005 for period of five years with an outlay of ₹ 3,334 crore of which ₹ 2,005 crore[4] was to be borne by DeitY as Grants-in-aid to States/UTs and the balance ₹ 1,329 crore[5] was to be borne by the States/UTs through Planning Commission as ACA. The Empowered Committee (EC) constituted (March 2005) by CCEA was to examine and sanction individual SWAN project proposals of the States. The EC had sanctioned ₹ 2,903.72 crore, released ₹ 1,479.61 crore and utilised ₹ 1,429.92 crore as of March 2013 as indicated in para on financial outlay.

SWAN was to be implemented in 29 States and six Union Territories (UTs). As of March 2013, 27 States and three UTs had implemented the project completely and in one State and three UTs implementation was in advanced stage. Goa had opted out of the scheme as they had established their own Broadband Network for e-Governance. Despite passage of eight years since the approval (March 2005) of SWAN scheme by CCEA, SWAN could not be rolled out in pan India. Haryana was the first State to commission SWAN (August 2007) under NeGP after a delay of eight months from the scheduled timeline. Though the 30 States/UTs had completed SWAN and four States/UTs are in advance stage of implementation, delay ranging from eight months to seventy four months was noticed in all the States/UT.

SWAN is a vital element of the core infrastructure for supporting the e-Governance initiatives of the Government and was designed to cater to the governance, information and communication requirements of all the State Departments. Delayed completion of SWAN schemes in the States resulted in postponement of the achievements of the vision of the e-governance programme as commented in the succeeding paragraph:

(i) Delay in implementation of SWAN

As per the CCEA approval (March 2005), estimated time frame for completion of SWAN project in a State, was 15(fifteen) months from the date of approval of the Detailed Project Report (DPR). The Empowered Committee on SWAN approved the DPRs for 20[6] States in 2005 and approval for the remaining States and UTs were accorded during the period from 2006 to 2008. Government of India share of the financial support for SWAN scheme was also released to the States on approval of the DPR. We observed, however, that in none of the States covered in Audit, SWAN scheme was completed within the stipulated time schedule. The time overrun ranged from 8 (eight) months (Haryana) to 74 (seventy four) months (Rajasthan) in the selected States for Audit. State wise position is given in

[4] ₹ 1,146 crore was earmarked for Capital cost for basic hardware and ₹ 859 crore towards Operational cost (Consultancy Fee, AMC on capital equipment, Interest on capital, TPA and cost of Manpower and other incidentals).

[5] ₹ 307 crore towards Site preparation-Civil works and ₹ 1,022 crore towards SWAN Bandwidth

[6] Andhra Pradesh, Assam, Chhattisgarh, Delhi , Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala , Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim Tamil Nadu, Tripura, Uttar Pradesh, and West Bengal.

Annexure –XV. Reasons for the delay, as explained by the States selected in Audit are indicated below:

Table-2
State-wise reasons for delay

State	Reasons	Reply of the State Governments
Assam	Delay in finalization of RFP and appointment of network operator Delay in site preparation and commissioning	No reason provided for the delay Delay in handing over of sites by district administrations which were beyond the control of SDA
Himachal Pradesh	Delay in appointment of consultant	No reason given by the State for the delay in the appointment of Consultant
Karnataka	Delays on the part of the vendor in various aspects including submission of network design, formulation of test procedures for components and services	Penalty imposed on the vendor
Kerala	Delay in appointment of network operator	No reasons given by the State
Rajasthan	Delay in constitution of Project Implementation Committee Delays in finalization of RFP Delay in appointment of consultant	No comments offered by the State RFP required modifications on account of issues like change in the number of offices, changes in the status of offices being connected, inclusion of new equipment, integration with other projects, changes in the mode of connectivity, changes in the technical specifications and non-agreement by lowest bidder, change in payment schedule and changes in RFP criteria Shortcomings in the readiness of the vertical PoPs, delay in appointment of Horizontal Offices and time taken to resolve OEM change request delayed signing of agreement
Tamil Nadu	Delay in appointment of consultant and finalization of operating and implementing agencies	Delays in making available site for PoPs at Districts by local agencies appointed by District Administration

The reasons attributed for delay as indicated in the table above is a pointer to the fact that the State preparedness in completing SWAN scheme as scheduled was not sufficient which resulted in delayed achievement of the benefits as envisaged in the scheme.

(ii) SWAN Project approved without approval of Empowered committee

SWAN project of the Union Territory (UT) of Lakshadweep was approved by the Secretary, DeitY for an estimated outlay of ₹ 15.53 crore[7] on 23 March 2009. A sum of ₹ 4.58 crore was released as Grants-in-Aid (GIA) i.e., DeitY share to the UT on 27 March 2009. However, it was observed that no approval or post facto approval of the EC was obtained for the scheme.

[7] DeitY share of ₹ 7.40 crore and UT share of ₹ 8.13 crore

In reply to the audit observation, DeitY stated (February 2014) that the omission was inadvertent and proposal for post facto approval of Lakshadweep SWAN would be placed in the next Empowered Committee meeting.

(iii) Non approval of Additional Central Assistance (ACA) component of SWAN by EC.

The Empowered Committee (EC) on SWAN in its first meeting (March 2005) approved projects of fourteen States[8]. However we observed that none of the fourteen State projects contained approval for State Share of ACA on account of cost against Site preparation and Bandwidth operation. However EC subsequently granted approval of revised projects of five States[9] taking into account the ACA components. ACA component of SWAN, in respect of the projects NCT-Delhi, was neither revised for nor funds released against it. Further an amount of ₹ 218.64[10] crore on account of ACA were released by Department of Expenditure (DOE) directly to the States without the formal approval of EC to remaining eight States[11] . The details are furnished in **Annexure-XVI.**

DeitY informed (April 2014) Audit that the total outlay on SWAN projects including GIA and ACA based on actual price discovery would be placed before next EC meeting for approval. Approval is still awaited.

(iv) Network Operators

SWAN could be implemented through Public Private Partnership (PPP) Model also. In this model, State/UT identifies a suitable PPP model (BOO, BOOT etc.) and selects an appropriate agency through suitable competitive bidding process for outsourcing the establishment, operation and maintenance of the Network. Total payments to the network operator are apportioned into 20 equal Quarterly Guaranteed Returns (QGRs). All the ten States selected for Audit had opted for PPP implementation model. Following observations are made:

Non-imposition of Penalty on Network Operator

The Agreement with the network operators provide for imposition of penalty for failure on the part of BOOT operator/Network Operator to adhere to conditions of contract viz., delay in commissioning, non-submission of required data/documents etc. The penalty is to be levied while making payments of QGRs. The penalty has to be calculated on the full value of the QGR/contract value. We observed that:

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8 Andhra Pradesh, Assam, Delhi, Gujarat, Jharkhand, Karnataka, Kerala , Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal.

9 Andhra Pradesh, Jharkhand, Madhya Pradesh, Maharashtra and Tamil Nadu.

10 ₹ 90.05 crore for Site preparation and ₹ 128.59 for Band-width utilization

11 Assam, Gujarat, Karnataka, Kerala , Punjab, Tripura, Uttar Pradesh and West Bengal.

- In Kerala State the Network Operator (M/s United Telecoms Limited) failed to carry out Acceptance Test Plan/procedure within the stipulated time of nine months from date of appointment of Network Operator in 3 NOCs, 14 DHQs and 152 BHQs. Acceptance test was pending in 237 remote offices even after a lapse of 263 weeks (December 2012) as against the maximum allowable period of twenty weeks. Thus a maximum penalty of ₹ 5.92 crore was to be levied on the Network operator. Against this only a provisional recovery of ₹ 25.30 lakh, as recommended by the consultant, was made by Kerala State IT Mission (KSITM) resulting in short recovery of ₹ 5.67 crore as penalty.

  The Kerala State IT Mission (KSITM) replied (June 2013) that a decision on imposition of penalty to the BOOT operator would be taken after receiving reports from Centre for Development of Advanced Computing (CDAC), Technical Consultant and M/s KPMG Advisory Services Private Limited who is the Third Party Audit (TPA) agency of SWAN. KSITM, however, based on audit observation withheld ₹ 2.35 crore (February 2014) from the payments to the BOOT operator. The action initiated was not satisfactory because KSITM as the implementing agency should have enforced the conditions of the agreement for the delay in completion of the scheme.

- In Andhra Pradesh, the State Level SWAN Implementation Committee observed (December 2010) that SWAN scheme was delayed by 218 days and concluded that out of the total delay of 218 days, 90 days was attributable to the Network operator. The quantum of penalty was calculated as ₹ 3.49 crore. However, M/s Tata Consultancy Services (M/s TCS), the network operator requested (June 2011) not to levy penalty immediately and offered to maintain the APSWAN project for an additional period of 90 days as extension part of the contract without claiming any charges. The State Level Dispute Resolution Committee after deliberations decided (March 2012) that in lieu of penalty of ₹ 3.49 crore, M/s TCS should extend their contract by six months which was agreed (March 2012) to by M/s TCS. An amendment agreement was also to be signed by all the parties.

Audit comments on the decision of the State Level Dispute Resolution Committee are given below:

- The conversion of penalty amount for free maintenance of APSWAN for the extended period was a deviation of terms of tender;

- Further, the amended agreement which was to be signed by all the involved parties was not signed till March 2013 even though the decision in this regard was taken in March 2012. The rights/remedies available to the Government/Andhra Pradesh Technology Services Limited (APTSL) in case M/s TCS does not meet the Service

Level Agreement (SLA) levels in the extended period of maintenance were also not clearly spelt out.

The actions taken by the State is not acceptable to Audit as there was no provision in the agreement to condone penalty by way of free maintenance. Moreover, the financial support from Government of India was only for the first five years and funding beyond five years was to be borne by the State Government. Hence, extending free maintenance of APSWAN for a period beyond five years instead of imposition of penalty resulted in funding the scheme from Government of India.

(v) Third Party Audit agency not appointed in States

Third Party Audit (TPA) was an integral part of the implementation of SWAN scheme. According to DeitY guidelines and Request for Proposal (RFP) on appointment of TPA agencies, Final Acceptance Test (FAT) certificate was to be issued by the TPA agencies and the date of issue of FAT was deemed as the date of successful commissioning of SWAN. The appointment of TPA was mandatory and needed to be done before the acceptance testing and commissioning of SWAN. TPA was to give an assurance that implementation and performance of the network were within the provisions of the Service Level Agreement (SLA) with the network operator and the bandwidth service provider. Besides, the TPA agency is also responsible for providing quarterly certificates on network availability and would also compute penalty, if any, for the net payment to the network operator as Quarterly Guaranteed Returns (QGRs).

Out of the ten selected States, it was observed that only Andhra Pradesh, Gujarat, Karnataka and Kerala appointed TPAs before the Acceptance Testing of SWAN, in compliance with DeitY guidelines. Six States[12] failed to appoint TPA before commissioning of the network and the delay in appointment ranged from five months (Rajasthan) to 21 months (Haryana).

Thus declaration of SWAN as implemented prior to the appointment of TPA agency showed that the networks were accepted by the States without confirming the fact that the network operator had complied with the provisions of the SLA.

DeitY informed (April 2014) to Audit that TPA selection was not taking place at the same time as network operator selection. DeitY also stated that 27 out of 31 States have appointed TPAs and the remaining four States would be advised again to initiate action in time for TPA selection.

[12] Assam, Chhattisgarh, Haryana, Himachal Pradesh, Rajasthan and Tamil Nadu

(vi) Impact Assessment of SWAN

The Cabinet Committee on Economic Affairs (CCEA) approval for SWAN scheme had envisaged that an impact assessment to measure development outcomes should be undertaken for each SWAN project after three years. The impact assessment report had to be placed before the Expenditure Finance Committee (EFC) after three years and before CCEA after five years. DeitY, while seeking the approval of SWAN Scheme agreed to the observation of Ministry of Finance, saying activity of impact assessment would be included in Terms of Reference of State level project Implementation committee and would do the needful in regard to placing Impact Assessment Report before EFC and CCEA. However, we observed that no Impact Assessment had been undertaken by DeitY until June 2013.

DeitY while admitting (September 2013) that no formal impact assessment to measure development outcome has been undertaken for each SWAN project in the States after three years, also stated that regular reports on SWAN are also being furnished as per requisite formats to the Prime Minister's Office (PMO), Cabinet Secretariat and the Planning Commission. DeitY further informed (February 2014) that it was in the process of empanelment of agencies for impact assessment for all MMPs including SWAN. Expression of Interest had already been invited in this regard.

The reply is not acceptable as the regular reports of status of implementation of decisions/directions of Cabinet/Cabinet Committees submitted to PMO, Cabinet Secretariat and Planning Commission cannot be a substitute for a detailed impact assessment to measure development outcomes as envisaged in SWAN project. The fact remains that DeitY, while agreeing to EFCs' proposal for impact assessment of SWAN, did not recognize its importance and failed to initiate the process of empanelment of agencies for the same.

4.1.3.2 State Data Centres (SDCs)

State Data Centre (SDC) is one of the important core infrastructures for supporting the initiatives of NeGP and for delivering services to the citizens. The aim of SDC scheme is to create common secure IT infrastructure to host state level e-Governance applications/Data to enable seamless delivery of G2G, G2C and G2B services duly supported by SWAN through CSCs. The SDCs consolidate services, applications and infrastructure to provide efficient electronic delivery of services by the States through the core connectivity infrastructure such as SWAN and CSC. Various State departments are to host their services/applications on to SDC to ensure efficient and optimal use of computing resources and connectivity infrastructure. Further, the SDCs of the States are categorized as Large (14 States/UTs), Medium (13 States/UTs) and Small (eight

States/UTs) depending upon the size of the State, which shall also depend upon the number of applications and the data size/requirement.

SDC scheme was approved (January 2008) by the Cabinet Committee on Economic Affairs (CCEA) with a total outlay of ₹ 1,623.20 crore towards the capital and operational expenses over a period of five years. The SDC was to be implemented in 29 States and six Union Territories. The Empowered Committee (EC) had sanctioned ₹ 1,378.50 crore and released ₹ 354.84 crore to the States and UTs and the States and UTs had utilised ₹ 175.07 crore as of March 2013 as indicated in para on financial outlay.

(i) Status of Implementation

As per the approval of CCEA, each SDC project was envisaged to be implemented within 9-12 months from the date of approval of the State/UT's proposal by Empowered Committee (EC) constituted by the CCEA on SDC. As of March 2013, 21[13] States/UTs had implemented the project completely with a delay ranging between 14 months to 48 months from the date of approval of the proposal, in four[14] States/UTs implementation is still in advance stage though the proposals were approved in 2008 and in seven[15] States/UTs implementation is in initial stage despite the fact that SDC scheme was approved in January 2008. Besides, request for proposal (RFP) for SDC in Arunachal Pradesh was not published by State and Delhi and Chandigarh had not committed to the SDC scheme till March 2013.

Out of the ten selected States for Audit, SDC is operational in Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, Rajasthan and Tamil Nadu whereas in Assam and Himachal Pradesh, the Bid process for SDC has been initiated. Audit scrutiny of SDC revealed the following deficiencies:

(a) Delay in implementation of SDC

SDC is the key supporting component of e-Governance initiatives and businesses for delivering services to citizens with greater reliability, availability and serviceability. As the two core infrastructure of NeGP viz. SWAN and CSC had already been approved (March 2005 and September 2006 respectively), the Standing Committee of Parliament on Information Technology advised DeitY (January 2008) on early implementation of SDCs so that SWAN and CSCs are effectively and efficiently used.

We, however, observed that in the ten selected States for audit, it took 16 to 55 months for the States to finalize their RFPs. Further, while in Andhra Pradesh and Gujarat where the

[13] Andaman & Nicobar, Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Manipur, Maharashtra, Meghalaya, Nagaland, Odisha, Pudduchery, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, and West Bengal

[14] Bihar, Jharkhand, Lakshadweep and Mizoram

[15] Assam, Dadra & Nagar Haveli, Daman & Diu, Goa, Himachal Pradesh, Punjab and Uttarakhand

SDCs were operational within a year of implementation of SWAN, in all other selected States the time gap between the completion of SWAN and SDC ranged between 23 months to 60 months (except Assam and Himachal Pradesh, where the SDC scheme was in bidding stage). In Rajasthan, however SDC was completed (June 2011) nearly two years earlier to implementation of SWAN (February 2013). Reasons for delay are indicated in paragraph 4.1.3.1 (i) above. These huge time gaps in the implementation of these two schemes indicated sub-optimal utilization of both the core infrastructure components.

DeitY, in reply to audit observation, stated (February 2013) that timely completion of the scheme was hampered mainly on account of the following:

- Delays in site finalization/handover leading to delay in finalization of SDC site architecture/layout;
- State level administrative delays in Raw Power Provisioning;
- As per SDC scheme, one Government application is required to be used for the Final Acceptance Test (FAT) in every SDC. But, in some States, the FAT application was not ready and in other cases the FAT application was changed by the State during SDC implementation;
- Delays in bid process and issues in Bid evaluation;
- Delayed internal approvals and contract signing at the State level.

It was further stated that the above issues were getting addressed at the State level in the Project Implementation Committee meeting and the State Apex Committee also was involved if needed, to resolve the delays and expedite implementation. The EC was also being apprised of the status in each State.

DeitY further stated (September 2013) that SWAN and SDC are two different schemes under NeGP with project approvals in March 2005 and January 2008 respectively indicating that the time lag in implementation of the scheme was due to their respective proposal approval dates and implementation of the both schemes in the States.

The reply is not acceptable because synchronizing the work of these two components of NeGP should have been an important consideration in the planning of core infrastructures so that the benefits of both SWAN and SDC schemes are optimized effectively in e-delivery of services as envisaged. Moreover, without synchronized development, the infrastructure built earlier remained unutilized for the purpose as in the case of Rajasthan where SDC was completed two years prior to setting up of SWAN and is bound to degrade.

(b) Expenditure on SDC Programme Management Unit (PMU)

The CCEA had approved (January 2008) setting up of a Programme Management Unit (PMU) and a provision of ₹ 90 lakh was created for two years. It was envisaged that DeitY would provide the States/UTs with a template on request for proposal (RFP) and a Consulting Agency for Detailed Project Report (DPR) preparation, overall bid process management and overseeing project implementation and operationalisation of the SDC. DeitY also needed to set up a data centre programme management unit to help/assist the States in all technological and other matters related to State Data Centre and in DPR evaluations, program level monitoring etc.

Accordingly, M/s Price Waterhouse Coopers Private Limited (M/s PwC) was selected (June 2008) by DeitY to function as the PMU for SDC for 24 months with effect from June 2008 for providing 96 man months at ₹ 2.45 lakh per man month for assisting DeitY in programme management at the national level in implementing SDC in 35 States/UTs at a cost of ₹ 235.20 lakh since it was already assisting DeitY in discharging the services as PMU for SWAN scheme. The tenure of the PMU was extended in February 2011 for 18 more months from June 2010 to December 2011 at a cost of ₹ 110.25 lakh for providing another 45 man months and in June 2012 another extension of 18 months from January 2012 to June 2013 was given to M/s PwC at cost of ₹ 88.20 lakh for providing 36 man months. During the entire period, the rate per man month remained unchanged. M/s PwC was paid a total amount of ₹ 431.85 lakh (inclusive of taxes) for the period up to September 2012 with payment for remaining three quarters (as on February 2013) pending.

To a query raised by Audit on grant of extension to M/s PwC, DeitY informed (February 2014) that the extension for M/s PwC as SDC PMU was given after due approval by DeitY owing to delay at various stages of implementation of SDCs in number of states. DeitY also stated that the expenditure was well within the overall approved budget of the SDC scheme and the SDC Empowered Committee, which had approved the aforementioned extensions is empowered for fund re-allocation within the overall approved budget.

The fact, however, remains that the programme management unit of SDC was setup for detailed project report (DPR) preparation, overall bid process management and overseeing project implementation and operationalisation of the SDC with a timeline of two years. However, the delay in completion of SDC scheme as already commented in paragraph 4.1.3.2(i)(a) led to continuation of PMU for five years against the original approval of 2 years by the CCEA besides incurring additional expenditure of ₹ 343.65 lakh over the approved cost of ₹ 90 lakh.

4.1.3.3 Creation of additional Data Centres

The SDCs set up in the four States viz., Karnataka, Kerala, Rajasthan and Tamil Nadu under NeGP were in addition to the data centres already established there as part of the State's e-governance initiative. Important findings on the creation of the additional SDCs are:

(i) Penalty of ₹ 1.12 crore not recovered from Data Centre Operator in Kerala

As per the RFP delivery, installation and testing of SDC was to be completed in 34 weeks from the date of LOI, failing which penalty as 0.5 *per cent* per week for the first two weeks, 1 *per cent* per week for every subsequent week subject to a maximum of 10 *per cent* was to be levied on the implementing agency, which was to be computed on Capital Expenses (CAPEX) value of contract. Further, beyond 10 *per cent* of penalty, the contract would be terminated and compensation paid to Government. Accordingly, M/s Sify Technologies, the implementing agency was liable to pay full penalty of ₹ 1.12 crore. The Technical committee meeting held on 26 December 2011 recommended for deducting the penalty from the 4th instalment (Payment of 30 *per cent* of CAPEX). However, no penalty was recovered from the payments released to M/s Sify till February 2013.

The Kerala State Information Technology Mission (KSITM) (June 2013) responding to the audit observation stated that penalty on account of delay in implementation was being deducted from the 4thinstalment of Capital Expenses (CAPEX).

(ii) Underutilization of SDC in Tamil Nadu

M/s Electronic Corporation of Tamil Nadu (ELCOT), the SDA for Tamil Nadu SDC, had commissioned an Electronic Data Centre (EDC) in December 2007 at a cost of ₹ 10.44 crore with two Enterprise Class IBM Z-9 Series Mainframe Servers with a total Storage Area Network (SAN) of 20 terabyte (TB) to host large scale Application and Data services. This EDC is connected to TNSWAN. Security Policies as applicable to the existing EDC and to the SDC commissioned under NeGP are different and less stringent. Most User departments have preferred to host their applications in EDC rather than in SDC. EDC is hosting more applications than State Data Centre. It was observed (February 2013) that out of twenty eight Departments/applications, six were hosted in both SDC as well as EDC. Only three applications[16] are hosted exclusively in SDC. Thus, the SDC sanctioned at a cost of ₹ 55.80 crore under NeGP remained underutilised.

The State Government agreed (July 2013) with the audit observation on underutilization of SDC under NeGP and stated that in view of the procedural constraints for getting/renewal of Vulnerability Assessment and Penetration Testing (VAPT) certification, departments

[16] Document Management System of M/s Chennai Metro Rail Limited, Health Management Information System of TNHSP and Local Bodies Electoral Information System of TNSEC

preferred to host their applications at EDC. However ELCOT was taking steps to insist the customer to get a VAPT certification and migration of the applications hosted at EDC to SDC for having more stability.

4.1.3.4 Disaster Recovery Plan

State Data Centre Guidelines issued by DeitY stipulate that every Data Centre in the State should have well defined Disaster Recovery and Business Continuity plan (DR&BCP) along with appropriate data backup and recovery infrastructure. They also need to conduct regular Disaster Recovery Testing, Drills and Disaster Recovery Plan updating. Audit observed that none of the test checked States except Tamil Nadu and Kerala had taken any initiative for Disaster Recovery Plan. In Tamil Nadu, it was found (February 2013) that the State Designated Agency (SDA) had, however, not identified the location for the DRC despite the decision (July 2011) of the State Government to set up DRC by July 2012. Besides, the fact that DeitY had provided storage space of 25 terabytes (TB) to Tamil Nadu, as a part of storage replication solution in National Informatics Centre's (NIC) Data Centre at Pune (July 2012), no action had been taken by the State (July 2013) to use the same as a disaster recovery solution. The State IT Department in response to the audit observation stated that Government approval was awaited for engaging the consultant for site selection and preparation of RFP. In Kerala it was observed that no DR site was available for the new SDC set up in the State. The State Government stated that action was being taken to set up Disaster Recovery site in NIC, New Delhi.

4.1.3.5 Common Service Centers (CSCs)

The CSCs are the citizen-facing end of the NeGP which are created to act as the primary delivery channel for delivery of Government services to the citizens. Besides being the delivery points for delivery of services to the common citizen at his door step, the Government envisaged the CSCs to be a change instrument that would provide a structured platform for socially inclusive community participation for development. The initial proposal approved in 2006 envisioned setting up of 100,000 rural centers across the country which would ensure one CSC for every six villages. Apart from this 10,000 urban CSCs were also to be set up but without financial support of Government. The CSC scheme was to deliver a variety of services like Government to Citizen (G2C), Business to Citizen (B2C). All CSCs were to be Broadband and internet enabled. The total financial outlay for the project was ₹ 1,649 crore which included ₹ 1,586 crore towards revenue support to be shared equally between Central Government and State Governments.

Transacting CSCs

Number of CSCs planned for establishment in the ten States chosen under audit and the number of CSCs operational and transacting as of March 2013 is given in the table below:

Table-3
Table showing the Low level of transacting CSCs

Sl. No	State	Planned[17]	Operational[18]	Connected[19]	Transacting	Percentage of connectivity (percentage of col. 5 to 4)	Percentage of transacting CSCs (percentage of col 6 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Andhra Pradesh	4687	3797	3797	2589	100	68
2	Assam	4375	3888	3136	1308	81	34
3	Chhattisgarh	3385	2460	1225	192	50	8
4	Gujarat	13685	13685	13685	13685	100	100
5	Haryana	1159	0	0	0	0	0
6	Himachal Pradesh	3366	2881	2245	1251	78	43
7	Karnataka	5713	800	800	0	100	0
8	Kerala	2200	2235	1908	1831	85	82
9	Rajasthan	8003	6351	5702	2331	90	37
10	Tamil Nadu	5440	2683	2683	2705	100	101
	All India	**150602**	**126574**	**105363**	**60754**	**83**	**48**

It was observed

- The percentage of connected CSCs to operational ranged between 50 to 100 whereas the percentage of transacting CSCs to operational business ranged between 8 to 100. In Chhattisgarh the low level of connectivity (50 *per cent*) and transacting business (8 *per cent*) were due to termination of agreement of State Service Agency.

- CSC scheme in Gujarat termed as e-gram centers are directly under the SDA e-Gram Vishwagram Society (eGVGS). Though e-Grams have been approved by DeitY as CSCs, no grants have been released for the scheme.

- CSC scheme was not operational in the State of Haryana as agreement with all the Service Center Agencies (SCAs) terminated in December 2009 and August 2010. Despite completing its SWAN scheme in 2007 and SDC in 2012, the State could not continue e-delivery of services to its citizens through CSCs.

- Karnataka did not roll out the CSC scheme and instead was delivering e-services through rural tele-centers known as Nemmadi Kendras as part of State Government e-Governance initiative. As a result, the State which should have had more than 5,700

[17] Planned: the number of CSCs to be operationalized by the State/UT with a minimum ratio of 1:6 i.e. 1 CSC per 6 villages.
[18] Operational: number of CSCs which have been rolled out as reported by the States/ UTs.
[19] Connected: number of operational CSC's which have internet connectivity as reported by the State/UT.

CSCs to cover its rural population has only 800 Nemmadi Kendras to deliver e-services.

- In Tamil Nadu, one of the Service Center Agencies (SCAs[20]) was to set up 4,395 centers in 26 districts but did not perform the task as per the time lines prescribed for rolling out of CSCs. Termination proceedings against the SCA were under litigation since the SCA got a ruling from the Madras High Court in February 2011 restraining the SDA from appointing an alternate SCA in respect of 2,100 CSCs already stated to have been rolled out. It was observed that even though the High Court has not restrained rolling out the CSCs in the remaining 2,295 centers, the SDA did not take any action (February 2013) to establish CSCs.

DeitY while explaining the actions initiated in termination of agreements of State service agencies informed (September 2013) that in Chhattisgarh in order to minimize disruption of operating Common Service Centers, it had approved District e-Governance Society (DeGS) as a Service Center Agency (SCA) till a new SCA is selected. DeitY further stated (February 2014) that Tamil Nadu has issued request for proposal (RFP) for SCA selection and is in the process of finalizing the bid. It also intimated that Haryana had not submitted any formal plan for roll out of CSCs; informal discussions indicated that the State planned to operationalise CSCs in each Gram Panchayats. With regard to Karnataka it was informed that the State Cabinet has approved the plan for rollout of CSCs.

Internet/broadband connectivity for CSCs

All CSCs, as per DeitY guidelines for implementation of CSC schemes, were required to have broadband internet enabled connectivity. Accordingly, Deity along with Department of Telecommunications (DoT) prepared (October 2006) a three phase connectivity plan to facilitate availability of reliable connectivity for CSCs through wire line (Broadband) and Wireless (Wi-Max, Data Card). The initial two phases not only intended to provide connectivity to CSCs but also meant to provide effective services to SWAN. By October 2008 M/s Bharat Sanchar Nigam Limited (BSNL) provided Broadband connectivity to 56,000 CSCs. Out of remaining 44,000 CSCs, BSNL agreed to provide connectivity using Wi-Max technology to 41,500 CSC locations at a cost of ₹ 550 crore (₹ 275 crore from DeitY and ₹ 275 crore by States). This cost of ₹ 550 crore was met from the funds available under CSC scheme. The remaining 2,500 CSCs, primarily in the North East and other inaccessible regions of the country were to be covered by using Very Small Aperture Terminal (VSAT) technology through National Informatics Centre (NIC) at a cost of about ₹ 50 crore.

[20] M/s 3i-Infotech Limited

We observed that as on 31 March 2013 out of 1,05,363 connected CSCs only 42,275 CSCs were using BSNL connectivity and BSNL had extended broadband coverage at 64,632 CSC locations only.

DeitY replied (February 2014) that BSNL connectivity was being provided to CSCs and it was actively followed up with both BSNL and States to encourage connectivity.

However, the technology-wise details of connectivity (e.g. Wi-Max, Broadband, VSAT) provided at the CSCs, especially for 41,500 CSC locations where Wi-Max technology connectivity was to be given for which ₹ 550 crore was released to BSNL, were not available with DeitY.

Non Availability of Government to Citizen (G2C) services

The NeGP vision is 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"**.** The CSCs were established with an intention to provide single window points for Government to Citizen (G2C) services and Business to Citizen (B2C) services. It was noted in the audit of ten States that:

- In Assam, although 15 Government to citizen services were mandated to be provided through CSCs, a maximum of nine services were provided (June 2013) in two districts (Goalpara and Sonitpur) only having 442 CSCs. In remaining districts no Government to citizen services were provided till June 2013 to the citizens. Thus, the primary objective of providing G2C services to citizens remained largely unachieved due to delay in creation of related infrastructure.

  In reply the State Designated Agency stated (July 2013) that there was no provision of any online based system in districts other than Goalpara and Sonitpur and was now being undertaken.

- In Haryana, the SDA/Nodal department had not signed Memorandum of Understanding (MoU) till April 2013 with the identified user departments for providing G2C services through CSCs resulting in lack of involvement and accountability of user departments in delivery of G2C services through CSCs in an integrated manner. These user departments were not prepared to deliver G2C services due to lack of backend computerization, digitization of data and availability of relevant software applications in their departments.

  The State Implementing Agency (SIA) replied (May 2013) that the user departments were not prepared to deliver G2C services due to lack of backend computerization, digitization of data and availability of relevant software applications in their departments. The reply of SIA is not acceptable because MoUs were required to be signed beforehand with user departments to ensure timely delivery of G2C services resulting in lack of involvement and accountability of these departments.

- In Chhattisgarh**,** the request for proposal (RFP) contemplated to provide ten key Government to citizen services. Chhattisgarh Infotech & Biotech Promotion Society (CH*i*PS), the State Designated Agency was the nodal agency to coordinate with department and Service Center Agency to use the infrastructure created under NeGP. Out of 2,460 CSCs established in the State, only five CSCs had provision for facilitating Government to citizen services and as against ten key services to be provided through CSCs, only one service (issue of certificates) was provided in few CSCs.

  CH*i*PS informed (June 2013) that electronic delivery of said services is based on computerization of line departments. All such departments have already been informed about CSC project, with a request to utilize these common infrastructures being created by DeitY for providing G2C services.

- In Rajasthan**,** RFP envisaged that delivery of Government Services namely Land records, Vehicle registration, Issue of certificates, Employment exchange, Ration cards, Electoral services, Pension schemes, Road transport, Public grievance, Utility/Telephone Bills would be mandatory for the CSCs. During joint physical verification (January 2013) of 40 CSCs, it was observed that all CSCs were delivering only two services i.e. issue of certificates (Bonafide & Caste) and depositing the utility bills.

  DeitY intimated (February 2013) that the project started with basic utility services of DISCOM[21] and PHED[22] and today more than 40 services are being provided through CSCs. Some of these services are being provided in few districts on pilot basis whereas most of them have been rolled-out across all districts of the State.

  The reply of DeitY is not acceptable because in 40 CSCs visited by Audit it was found that they provided only two services.

4.1.3.6 Concurrence of CCEA for funding of State Service Delivery Gateways (SSDG) component not approved under NeGP.

Empowered Committee for the Common Service Center scheme in its 5th meeting to consider facilitation of service delivery through CSCs deliberated the fact that the actual

[21] Distribution Companies
[22] Public Health and Engineering Department

delivery of services leveraging the infrastructures (SWAN, SDC and CSC) would be delayed as most of the State mission mode projects (MMPs[23]) were at various stages of design and development and actual implementation of MMPs would take an additional 3-4 years. On account of this delay, it was imperative that an alternative strategy be worked out to use these infrastructures (SWAN, SDC and CSC) for quick delivery of services on the ground. Accordingly it was proposed (December 2008) that a new infrastructure viz. State Service Delivery Gateway (SSDG) be created immediately across the States/UTs which will provide significant benefits to the citizens specially in the form of a single gateway to citizen for service delivery such as downloading of forms and submit their applications electronically through a common gateway.

The proposal for implementation of SSDG scheme was approved (December 2008) by the Empowered Committee for the Common Service Center scheme at a cost of ₹ 400 crore (GIA-₹ 200 crore and ACA-₹ 200 crore). Funding for the State Service Delivery Gateways was to be through the savings in the CSC scheme. It was also decided in the EC that the CCEA should be suitably apprised of the utilisation of the savings for a different scheme.

The Empowered Committee (EC) had sanctioned ₹ 361.38 crore, released ₹ 206.09 crore and utilised ₹ 73.88 crore as of March 2013.Due to paucity of fund in the CSC scheme, the total cost has been reduced to ₹ 300 crore (GIA-₹ 150 crore and ACA-₹ 150 crore) by the EC (July 2012).

It was observed in Audit that the decision of the EC to utilize the savings from one scheme to start a new one was neither intimated to nor approved by the CCEA.

DeitY stated (September 2013) that a monthly statement for the progress made in the project was submitted to the Cabinet Secretariat since February 2009 wherein the approval of the Empowered committee for the proposal for facilitation of service delivery through CSCs by funding implementation of portal, SSDG and electronic form and gap infrastructure at a total cost of ₹ 400 crore was included.

We, however, observed that the monthly statement to the Cabinet Secretariat was in the nature of a status report on implementation of various decisions of Cabinet/Cabinet Committees and hence cannot be considered as approval by CCEA on the utilization of fund. Thus, the funding arrangements done for SSDG scheme has not been ratified by CCEA even after more than four years of the decision of the EC to implement the scheme. Moreover, this alternative strategy introduced to use the common infrastructures (SWAN, SDC and CSC) for quick delivery of services on the ground was also delayed as

[23] A Mission Mode Project (MMP) is an individual project within NeGP with clearly defined objectives, scope and implementation time line and milestones as well as measurable outcomes and service levels e.g. Land records, Police, Agriculture, Health and Education.

commented in paragraph below thus not achieving the intended benefit for which the new component was specifically introduced.

Delay in implementation of SSDG

As per the timeline prescribed for the implementation of the project for State Portal, SSDG and e-forms specified 12 months for the system to 'go-live'. However, the finalization of RFP was delayed in most of the States with Gujarat not signing agreement and Karnataka not finalizing the RFP even after lapse of more than two years of approval of the individual State SSDG. As of March 2013, out of the ten selected States, the SSDG component was under implementation in eight States and was launched in two States (Himachal Pradesh and Tamil Nadu).

DeitY stated (February 2014) that due to various reasons like delays in RFP finalization, bidding, selection of implementing agencies, Departmental approvals on the requirement documents as well as other project documents, STQC (Standardization Testing Quality Certification) audit etc, the date for SSDG implementation was different for States/UTs.

The response of DeitY only validates audit observation. The fact remains that the scheme approved in December 2008 could not be implemented fully and benefits of e-Governance initiative could not be extended to the citizen as envisaged.

4.1.3.7 Monitoring of infrastructure implementation by States

The Programme Management Structure for NeGP approved by CCEA inter alia envisaged State level Apex Committee headed by the Chief Secretaries to allocate resources, set priority amongst projects and resolve inter-departmental issues properly. The Apex Committees, thus, had to perform effective oversight functions for the efficient roll out of e-governance initiatives in a State.

It was observed that the State Apex Committees of Assam and Haryana had not met even once since their formation in June 2009 and February 2010 respectively. In Himachal Pradesh, the Apex Committee had met three times since its formation in March 2006 while in Tamil Nadu, the Apex Committee had met only twice since its inception in April 2005. Similarly, from the details made available to Audit, it was seen that except in the States of Andhra Pradesh and Gujarat, the meetings of the Committees designated for monitoring the implementation of SDC and SSDG schemes were inadequate during the period covered in Audit. Implementation issues in relation to various infrastructure schemes under NeGP, as discussed in the Report like delays in completion of SWAN project, absence of synchronized implementation of core projects like SWAN and SDC, absence of sufficient Government to citizen services pointed to the fact that monitoring of e-governance initiatives at the State level was inadequate.

Conclusion

The National e-Governance Plan approved in 2006 aimed towards making all Government services accessible to the common man in his locality at an affordable cost. The vision of NeGP was to be achieved through creation and implementation of core and support infrastructure in the form of SWAN, SDC, SSDG and CSCs. DeitY, as the nodal department, was assigned the pivotal role of providing guidance to the States/UTs (Union Territories) for implementation of the component schemes of NeGP and closely monitoring the progress.

Audit observed that none of the States could adhere to the time frame proposed for the projects. There was lack of synchronization in the execution of projects leading to delays in e-delivery of services. The pace of utilisation of the infrastructure like SWAN and SDC in furthering e-governance in ten States selected for Audit was found to be slow. Therefore there is a need for close monitoring at DeitY as well as State level for optimum utilization of the infrastructure created under NeGP for delivering services to common citizen.

The shortcomings in the implementation and utilisation of the infrastructure projects as noticed in Audit however does not take away the positives of the NeGP and the efforts of DeitY in taking the initiatives forward.

CHAPTER-V
PUBLIC SECTOR UNDERTAKINGS UNDER THE MINISTRY

5.1 Non/short billing of Rental Charges for Leased Circuits/STM Systems

Despite assurance by BSNL to set right deficiencies pointed out in billing of leased circuits, delay in raising of bills due to non-incorporation/ non - updation of billing details continued to persist resulting in non-raising of demand for ₹ 7.61 crore of which ₹ 3.18 crore was still pending recovery as of October 2013.

M/s Bharat Sanchar Nigam Limited (BSNL) provides leased line/circuit services to subscribers for a specific period as dedicated communication links for in-house communication. Digital leased Circuit (High Speed Digital) is a digital leased line service providing an optimal communication environment for enterprise backbone lines using highly reliable Synchronous Transfer Mode[1] (STM). As per billing instructions issued (November 2002) for billing of circuits, rental was to be recovered in advance for 12 months for the first year from the date of installation, for the period from the completion of first anniversary of date installation up to the conventional billing month (March) in the second year and rental for one year as per conventional billing cycle (April–March) from the third year onwards. The advance rental could be collected quarterly/monthly at the option of the subscriber.

Delay in issuance of bills pertaining to lease circuits resulting in blocking of funds was commented in Performance Audit Report no 9 of 2008 along with the para on ineffective functioning of "TVARIT" software system meant for billing of leased lines. DoT in the Action Taken Note (ATN) for this report had stated

- In March 2009 that bills were being issued in time, the commissioning and other billing details were being monitored through system;
- In February 2010 that Western Telecom Region (WTR) had requested BSNL Corporate Office (CO) for early replacement of TVARIT system, competent authority had approved replacement of the system with a new system called Crestel Order Management System and this new system was under final stage of implementation; and

[1] STM(Synchronized Transfer Module) is the mode for carrying digital leased circuits

- In December 2013 that lack of integrated package for commercial and billing section resulted in non billing/delay in billing of leased lines and it was further stated that ‘ TVARIT PLUS system[2]’ was under implementation.

In the Report No. 3 of 2011-12, similar observations were made by Audit as the lacuna had persisted.

Despite assurance of DoT in the ATNs, Audit observed that out of 352 cases (349 leased circuits and 3 STMs) reviewed (March 2012 to April 2013) in two districts[3] and one circle[4], billing details were not incorporated in 294 cases (292 leased circuits and 2 STMs) and not updated in 58 cases (57 leased circuits and one STM) resulting in non-raising of demand of ₹ 7.61 crore in respect of these 352 cases during the period from 2007-08 to 2012-13.

BSNL Corporate office stated (August 2014) that TVARIT PLUS system (advanced version of earlier TVARIT billing package) was initiated in the year 2009-10 for ensuring correct provisioning, billing and collection process of leased circuit revenues from the enterprise customer. Out of three modules, only first module for generation of demand notes etc., was commenced on 13 September 2010 and other two modules meant for integrated commercial correct billing and fault repair could not be commenced as on date (October 2014). As regards monitoring of billing status, it was replied that the activities for billing and recovery of outstanding were done at SSA/Circle level and BSNL Corporate Office monitors and gives directions for revenue generation and clearance of outstanding dues.

On being pointed out (March 2012 to April 2013) by Audit, the concerned Districts/Circle raised (March 2012 to April 2013) supplementary bills for ₹ 7.61 crore of which ₹ 4.27 crore was realized, ₹ 0.16 crore was cancelled[5] and ₹ 3.18 crore was pending for recovery as of October 2013.

Thus, despite assurance given, DoT did not evolve an effective control mechanism to provide quality service to its potential enterprise customers for correct provisioning, billing and collection of revenue in circles which resulted in persistent delay in billing in circles and non realization of ₹ 3.18 crore.

[2] IT software for work order management, Billing module and Fault Repair system for leased lines

[3] Chennai Telephone District and Hyderabad Telephone District

[4] Maharashtra Circle

[5] Bills were cancelled due to enhancement of discount and regularization and up-gradation of circuits.

5.2 Inordinate delay in commissioning of OAN projects

Projects for laying Optical Fiber Cables (OFC) executed by four Telecom Project Circles and North East Task Force for ₹ 53.27 crore during the period 2005-06 to 2010-11 under Overlay Access Network were yet to be completed/handed over to the user Circles/SSAs. Further, as these projects were put on hold due to cash deficit in the Company, the expenditure incurred on these projects was rendered unfruitful.

Board of Directors of M/s Bharat Sanchar Nigam Limited (BSNL) decided (January 2001) to provide direct Optic Fiber Cable[6] (OFC) connectivity to commercially important customers. In this regard, BSNL issued (December 2003) planning guidelines for OFC Overlay Access Network[7] (OAN) and also directed (February 2004) their Territorial/Project circles to plan the same. Further, it was decided (March 2005) to provide OAN in all District Headquarters and any other town considered fit by the concerned Chief General Managers (CGMs) of the Circles. Beginning with the coverage of eight cities, the BSNL decided (January 2007) to extend the project to 898 cities across the country to provide broadband facilities to meet the challenges of providing connectivity on demand posed by the other telecom service providers.

The OAN projects were to be executed by the Telecom Project circles[8] and handed over to the end users i.e. the Circle/Secondary Switching Areas[9] (SSAs) after commissioning. One of the steps for timely execution of the project was to obtain permission from Central/State or Local authorities for laying cables/pipes etc. BSNL decided (December 2010) to put on hold the expenditure on Overlay networks in view of cash deficit.

Audit scrutiny (January 2011 to October 2012) of 547 OAN projects executed by four Telecom Project Circles[10] and North Eastern Task Force (NETF) during 2005-11 revealed that out of 53 projects, 31 projects were yet to be commissioned even after a lapse of 22 to 96 months of scheduled date of completion of the projects (**Annexure-XVII**) and remaining 22 projects were commissioned during September 2009 to March 2013 but not handed over to the end users till March 2013 (**Annexure-XVIII**) for various reasons like want of permission from various authorities, damage to OFC cable, end to end was not ready and concerned end user did not accept etc. As on March 2013, the amount incurred on the 53 projects was ₹ 53.27 crore.

[6] OFC is underground cable used in almost all telecom Networks having greater capacity and immunity to cross talks and static interfaces than metallic cable.

[7] An overlay access network is a virtual network of nodes and logical links that is built on the top of the existing network with the purpose to implement a network service that is not available in the existing network.

[8] The Telecom Project Circles functions as non-territorial unit which is responsible for specialized activities i.e. long distance media mostly involving OFC

[9] The territorial circles are divided into secondary switching areas which are the basic management units of the BSNL.

[10] There are four Project circles viz, Western Telecom Project, Southern Telecom Project, Eastern Telecom Project and Northern Telecom Project covers all the states except North East. North East Task Force (NETF) unit with its head office at Guwahati, covers all the seven states in NE region which are not covered in above 4 Project circles.

The Project Circles in their replies (June 2011 to October 2013) cited the following as reasons for delay in commissioning:

1. Non receipt or delay in receipt of right of way leave permission for cable laying from State/Local authorities; (all four project circles and NETF circle)
2. Cable damage caused by development work/road repair work; (all four project circles and NETF circle)
3. Non availability of cables; (STP)
4. Area specific problems like law and order, long spell of rainy seasons etc., (NETF circle)
5. Stoppage of work due to BSNL instruction of April 2012; (ETP)

DoT endorsed (October 2013) the reply of BSNL Corporate Office which reiterated the replies of concerned circles that delay in Right of Way (ROW) permission and cable damage during development works were the main reasons for delayed commissioning of projects.

While BSNL commissioned 494 projects, due to non-commissioning of these 53 projects, the aim of BSNL to deliver the gigabit band width to the customers and also using the access network as a platform for offering future services like Metro Local Area Network, Wide Area Network, Ethernet over Synchronous Digital Hierarchy (SDH), Ethernet over Multiprotocol Label Switching and Storage Area Network remained unfulfilled besides blocking of funds of ₹ 53.27 crore.

Thus, the failure of the Telecom Project circles to complete the OAN projects in time and hand over the same to SSAs resulted in unproductive investment of ₹ 53.27 crore as of March 2013. Further the non-commissioning/handing over of project defeated the very purpose of meeting the challenges posed by Private Service Providers by providing quality and prompt connectivity to the premises of commercially important customers on demand.

5.3 Infructuous expenditure of ₹ 4.61 crore on Installation of VPT sign boards in West Bengal Telecom Circle

Delay of the Corporate Office in finalizing the specifications for the sign board and also action of the three SSAs in procuring the sign boards without adhering to tender procedures of BSNL and Standards of financial propriety resulted in avoidable extra expenditure of ₹ 4.61 crore.

M/s Bharat Sanchar Nigam Limited (BSNL) entered (March 2003) into an agreement with Administrator, Universal Service Obligation Fund (USOF) for provisioning of Village Public Telephones (VPT) in West Bengal. As per clause 14.2 of the Agreement, the

Universal Service Provider (USP) had to display information like rates, contact persons for complaint/grievances, toll free Public Utility Telephone numbers, etc., in both local language and Hindi/English. The agreement was silent regarding the size of the sign board. BSNL Corporate Office fixed the size of the Board only in November 2007, after more than four years after signing the Agreement with USOF.

Audit scrutiny (February 2010) disclosed that nine[11] SSAs out of 14 (Secondary Switching Areas (SSA) in West Bengal had installed sign boards and the rates per sign board paid to contractors for supply and installation of the signboards varied from ₹ 64 to ₹ 23,900 as detailed below:

Name of SSA	Number of Sign Boards	Period of Installation of Sign Boards	Rate per Sign Board (in ₹)
Bankura	750	June 2002 – December 2002	64.00
Kolkatta	5,000	2002-2003	80.00
Asansol	5	Not available	100.00
Purulia	166	2006-07	150.00
Kharagpur	6,274	2004-2005	195.00
Berhampore	1,000	March 2007 – August 2007	822.00
Raiganj	2,450	May 2005 – July 2007	7,400.00
Krishnanagar	816	August 2007 – November 2007	22,500.00
Malda	400	December 2005 – February 2007	23,900.00

Audit, on review of records pertaining to installation of sign boards at Raiganj, Krishnanagar and Malda SSAs, observed that these SSAs installed 3,666 sign boards using heavy steel structures with cement concrete incurring exorbitant expenditure. Further, the three SSAs executed the work of installation of signboards through M/s ITI, M/s TCIL and M/s HCL without inviting any tender.

Non invitation of tender was in contravention of BSNL procurement guidelines since guidelines for procurement of decentralised items issued (June 2001) stipulates that procurement would be done following transparent tendering procedure in consistence with the overall procurement policy of BSNL. Awarding of work of a simple sign board was also not in accordance with Standards of financial propriety as per which every officer incurring or authorizing expenditure from public money should be guided by high

[11] Balance five SSAs (Jalpaiguri, Coochbehar, Siliguri, Gangtok and Suri) did not install any sign boards

standards of financial propriety, ensure all relevant financial rules and regulations are observed and also exercise same vigilance as a person of ordinary prudence would exercise in respect of expenditure of his own money. BSNL Corporate Office did not also finalize the specifications for the sign board immediately after signing of agreement with USOF.

It could be seen from the Table above that Berhampore, Raiganj, Krishnanagar and Malda SSAs issued work orders for installation of sign boards during 2005 to 2007 but there were huge variation in rates.

Based on the rates of Berhampore SSA (which was the least of the four SSAs), BSNL incurred avoidable extra expenditure of ₹ 4.61 crore due to installation of sign boards at the other three SSAs at high rates as detailed below:

(₹ in lakh)

SSA	No. of Sign Boards	Cost of the Board	Service Tax & VAT	Total Cost	Cost based on rate of Berhampore SSA (₹ 822.00 per sign board)	Extra Expenditure
Raiganj	2,450	181.30	14.65	195.95	20.14	175.81
Krishnanagar	816	183.60	10.41	194.01	6.71	187.30
Malda	400	95.60	5.99	101.59	3.29	98.30
Total	**3,666**	**460.50**	**31.05**	**491.55**	**30.14**	**461.41**

In view of the fact that five SSAs in West Bengal circle itself had installed the sign boards at far lesser rates, there was no justification for incurring such huge expenditure on a simple sign board.

DoT while admitting the facts, replied (December 2013) stating that structural specifications were given by the Corporate Office in November 2007 and by that time most of the work was complete and uniformity could not be maintained. It was also stated that delegation of financial power had been given by the Corporate Office to the SSAs and they had to exercise these powers in accordance with rules and instructions on the subject. DoT further stated that the matter regarding non-observance of rules and guidelines relating to procurement would be investigated. In pursuance to audit observation, Kolkata circle intimated (February 2014) that the investigation by Vigilance wing of the circle had commenced and further, Central Bureau of Investigation, Kolkata had also registered case suo moto in this regard in December 2013.

The fact remains that the delay of the Corporate Office in finalizing the specifications for the sign board and also action of the three SSAs in procuring the sign boards without adhering to tender procedures of BSNL and Standards of financial propriety resulted in avoidable extra expenditure of ₹ 4.61 crore.

5.4 Non installation of DG sets procured resulting in blocking of funds of ₹ 4.72 crore

Non installation of Diesel Generator Sets procured by BSNL under GSM mobile expansion projects resulted in blocking of ₹ 4.72 crore on their procurement

Phase-wise expansion projects were undertaken by M/s Bharat Sanchar Nigam Limited (BSNL) for its GSM mobile services in its territorial Telecom circles during the period 2005-06 to 2012-13 involving upgradation of existing technology, capacity enhancement of Main Switching Centre (MSC) and installation of additional Base Transceiver Stations (BTS) for providing optimal coverage. For ensuring un-interrupted working of BTS sites during power failures, engine alternators (diesel generator sets) of various capacities were also procured as a part of these expansion projects.

It was noticed during audit (November 2013 - March 2014) in three[12] Telecom Circles that out of 441 DG sets of various capacities valued at ₹ 6.13 crore procured for installation on turn-key basis through vendors under respective expansion projects of these Telecom circles, 304 DG sets valued ₹ 4.72 crore remained un-utilized as on 31 March 2014 for periods ranging from two years to five years from their receipt. (**Annexure-XIX**)

DoT replied (September 2014) that:

- 16 DG sets stated to be lying idle in Andhra Pradesh Telecom circle were utilized/being utilized during Phase VII roll out project.

- The entire work of installation and commissioning of DG sets was awarded to M/s ITI Limited under 30 *per cent* reserved quota on turnkey basis for Gujarat Telecom Circle but due to inability of M/s ITI Ltd to complete the work as per schedule, the balance quantum of work was handed over to Electrical Wing of BSNL at the risk and cost of M/s ITI Ltd and as on date, 162 DG sets were lying in store and 33 DG sets were under commissioning at sites.

- In Rajasthan Telecom Circle, all the DG sets procured under GSM expansion phase-IV and Phase V.1 have been utilized as on 31 March 2014 and only 7 DG sets were lying with them as they had been recovered from existing school BTS sites in adherence to Hon'ble High Court of Rajasthan's orders.

[12] Gujarat, Andhra Pradesh & Rajasthan Telecom circles.

Thus, it could be seen from the reply of DoT that 195 DG sets have not yet been commissioned in Gujarat Telecom circle and 16 DG sets were utilized/being utilized during Phase VII roll out project in Andhra Pradesh Telecom circle as on 31 March 2014. Further, though DoT has stated that all the DG sets procured under GSM expansion phase-IV and Phase V.1 have been utilized as on 31 March 2014, the fact remains that they were installed after more than four years since the procurement. Thus, 304 DG sets remained unutilized till March 2014 for two to five years. Due to absence of site-wise utilisation details of DG sets in all the three circles, the reply of DoT that balance DG sets were installed could not be verified.

Thus, failure of BSNL in ensuring timely installation and utilization of the DG sets procured under phase wise expansion plans led to blocking of ₹ 4.72 crore on their procurement.

5.5 Non Recovery of Penalty from Defaulters

Non-recovery of penalty paid by BSNL to DoT due to non-compliant Customer Application Forms from Franchisees/Direct Selling Agents/Customer Service Centre employees resulted in blocking up of ₹ 32.62 crore

Department of Telecom's (DoT) licence conditions (November 2006) for cellular mobile services/value added services inter-alia provides that "the Licencee shall ensure adequate verification of each and every customer before enrolling him as a subscriber and instructions issued by the Licensor in this regard from time to time shall be scrupulously followed". DoT had issued instructions/guidelines for verification of subscribers and calculation of penalty on defaults in December 2008.

BSNL Corporate office delegated (April 2009) the financial powers to Heads of Circles to pay penalty on violation of terms and conditions of Licence Agreement for all cases verified and rejected (non-compliant) by Telecom Enforcement, Resource and Monitoring (TERM) Cells of DoT after 1 April 2009. It was also instructed that Heads of Telecom Circles must fix responsibility for any non compliance and recover the amount of penalty from the defaulter, be it franchisee or direct selling agent and in case the defaulter was employee of BSNL, appropriate disciplinary action including recovery of the amount from the employees, should also be considered.

A reference is invited to Para no. 2.1.6.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2012 (Union Government – Communications and IT Sector) wherein details of telecom service provider-wise non-compliant Customer Application Forms (CAF) was pointed out.

On a review by audit (September 2013 – March 2014) of Customer Application Form (CAF) defaults by BSNL in eight[13] Telecom circles during the period from 2009-10 to 2012-13, it was found that 59,289 CAFs were verified and rejected as non-compliant (NC) by respective TERM cells of DoT in these Telecom circles either due to non-submission or non-availability of proper proof of identification and address (Non-PIA), photograph not visible etc. in violation of licence agreement terms for verification of subscribers at respective points of sale. An amount of ₹ 33.07 crore was imposed as penalty by the respective TERM cells out of which an amount of ₹ 32.85 crore has been paid by these eight Telecom circles (**Annexure-XX**).

However, recovery of the penalty paid by BSNL from defaulter's viz. franchisees/direct selling agents (DSA)/Customer Service Centre (CSC) employees was partially made by four[14] Telecom circles amounting to ₹ 0.23 crore. An amount of ₹ 32.62 crore remained to be recovered from the defaulters of these eight Telecom Circles. (**Annexure-XXI**).

DoT stated in its reply that BSNL has already instructed all SSA's for recovery of penalty and fixing of responsibility. They further stated that telecom circles have expressed the following for non-recovery:

- Recovery process from BSNL franchisees has affected the sale of BSNL products badly with some of the existing franchisees un-willing to renew their contracts for fear of recovery of penalty on CAF defaults. Further, difficulties in finding new franchisee had led to decline in overall revenue:

- TERM Cells interpretation and rejection of proofs of identity submitted along with CAFs on issues of clarity of photograph, in-adequate address proof issued by various Government authorities, mismatch in signatures etc. vary with interpretation and acceptance of the same by BSNL sales outlets viz. Franchisees/ retailers/CSCs officials which leads to increase in levy of penalties since TERM Cells interpretation are taken as final.

The reply is not acceptable as:

- Instructions issued by Corporate Office from time to time for recovery of penalty from erring franchisees/retailers/Customer Service Centre (CSC) officials have not succeeded due to failure by Telecom circles to effectively implement the same as could be seen from the increase in the number of cases being rejected by TERM Cells for being non-compliant while the recovery of penalty paid by BSNL for non-compliant CAF was very meagre;

[13] Gujarat, Rajasthan, MP-Chhattisgarh, Karnataka, Kerala, West Bengal, Assam and Haryana Telecom Circles.

[14] Gujarat, Madhya Pradesh, Haryana & Kerala Telecom circles.

- CSC officials are designated to verify all the supporting documents submitted along with new CAFs by BSNL channel sales partner's viz. franchisees/retailers before activation of the connection. It was submitted in reply that negligence on the part of erring franchisees/retailers/CSC officials cannot be fixed, which was in fact, aimed at covering up BSNLs own failures since the ultimate responsibility of accepting incomplete CAF, if any, lies with CSC employees and the onus of recovery should be from the erring CSC employee too:

- As expressed in reply, the fear of losing existing franchisees and inability to find new franchisees if recovery was affected for rejected CAFs from them cannot be accepted as it is BSNL's responsibility to ensure the enforcement of its own instructions regarding recovery of penalty paid for non-compliant CAFs to protect its financial interest.

Thus, failure to observe DoT's mandatory terms & conditions prescribed for acceptance of CAFs at points of sale led to payment of penalty of ₹ 32.85 Crore during the period from 2009-10 to 2012-13 by BSNL out of which ₹ 32.62 Crore remained to be recovered as on 31 March 2013.

5.6 Erosion of Subscriber Base due to Porting Out by Subscribers under Mobile Number Portability

Failure by BSNL to provide a good quality GSM mobile network at competitive tariffs led to erosion of its existing subscriber base under Mobile Number Portability to other operators resulting in loss of assured revenue of ₹ 100 crore

Ministry of Communication & Information Technology, Government of India introduced mobile number portability (MNP) for all existing GSM mobile subscribers of the country in January 2011. The purpose of MNP was to provide an option to the customers to shift to a new service provider retaining the existing mobile telephone number in case of unsatisfactory service of the existing service provider.

Audit noticed that the introduction of MNP (January 2011) by Government resulted in net loss of 8,04,015 subscribers during the period from January 2011 to March 2013 in seven[15] BSNL Telecom Circles as given in Table-1 below:

[15] Gujarat, Rajasthan, MP, Karnataka, West Bengal, Bihar &Haryana Telecom Circles

Table-1

Name of the Telecom Circle	Port In	Port Out	Net Gain(+)/Loss(-)
Gujarat	70,627	2,24,489	(-) 1,53,862
West Bengal	21312	79797	(-) 58,485
Rajasthan	96,866	3,59,350	(-) 2,62,484
Karnataka	1,86,276	2,38,870	(-) 52,594
Haryana	81,252	2,53,389	(-) 1,72,137
Madhya Pradesh	42,851	1,02,885	(-) 60,034
Bihar#	15,722	60,141	(-) 44,419
Total:-	**514906**	**1318921**	**(-) 8,04,015**
# Data not available for the months February 2012 to November 2012			

A detailed analysis by audit revealed the following:-

In four of the above seven Telecom Circles, 40 *per cent* to 76 *per cent* of existing subscribers ported-out of BSNL stating "network problem", 5 *per cent* to 29 *per cent* stating "Tariff related issues" and 10 *per cent* to 40 *per cent* stating other reasons, as detailed in Table-2 below:-

Table-2

(In percentage)

Name of Circle	Network/ Quality of service related problems	Tariff related problems	Other reasons
Gujarat	40	29	31
Rajasthan	68	22	10
West-Bengal	48	20	40
Haryana	76	05	19

i. As per Network Service Quality Parameters prescribed by Telecom Enforcement, Resource and Monitoring (TERM) Cell, DoT, for GSM service providers, accumulated downtime (network not available for service) should be less than 2 *per cent* of total Base Transceiver Station (BTS) Hours available for the month. Further, as per BSNL's norms[16], the benchmark prescribed for BTS interruption rate (faults) was up to 20 *per cent* of working BTS for the month. However, it was noticed in four out of the seven Telecom Circles that though total BTS failure hours remained within 2 *per cent* of total available hours for the month during the period from 2010-11 to 2012-13, the

[16] E1-E2 Management Chapter 15 on Inspection & Quality of Service

number of faults registered ranged from 25.4 *per cent* to 198.59 *per cent* as detailed in Table-3 below:-

Table-3

Name of Circle	Percentage of Average monthly BTS fault rate registered (2010-11 to 2012-13)
Gujarat	45.31
Rajasthan	49.58
Karnataka	25.40
West-Bengal	198.59

ii. BSNL, as a GSM mobile service provider held more spectrum in six out of seven Telecom Circles as detailed in Table-4 below:

Table-4

Service Area	Spectrum Held (in MHz)/ Subscriber base (in lakh) as on 31 March 2013								Net gain of customers during the period from 1 April 2010 to 31 March 2013 (in lakh)			
	BSNL		Bharti		Vodafone		Idea					
	Spectrum	No. of subscribers	Spectrum	No. of subscribers	Spectrum	No. of subscribers	Spectrum	No. of subscribers	BSNL	Bharti	Vodafone	Idea
Gujarat	7.4	41.80	6.2	71.11	9.8	160.62	6.2	85.10	12.32	16.54	52.37	31.09
West Bengal	8.0	35.34	6.2	92.72	6.2	116.01	4.4	26.60	12.99	37.06	43.09	20.26
Rajasthan	8.0	57.88	6.2	147.39	6.2	89.62	6.2	51.44	16.90	44.37	14.85	28.02
Karnataka	10.0	69.51	9.8	162.30	8.0	68.38	4.4	62.46	34.70	35.87	16.71	36.13
Haryana	10.0	30.90	7.8	23.34	6.2	46.33	6.2	37.83	06.23	08.00	17.19	16.23
Madhya Pradesh	10.0	50.31	6.2	101.20	4.4	43.08	8.0	155.59	17.36	34.79	24.63	83.07
Bihar	10.0	66.91	8.0	193.72	4.4	67.69	4.4	60.40	13.47	83.69	35.98	29.93
Total:-		**352.65**		**791.78**		**591.73**		**479.42**	**113.97**	**260.32**	**204.82**	**244.73**

As could be seen from the above, the number of subscribers on 31 March 2013 of M/s Bharti Airtel Ltd, M/s Vodafone Ltd and M/s Idea Cellular Ltd were 7.92 crore, 5.92 crore and 4.79 crore respectively whereas that of BSNL was only 3.53 crore. Further, the number of subscribers gained by M/s Bharti Airtel Ltd, M/s Vodafone Ltd and M/s Idea Cellular Ltd during the period 2010-11 to 2012-13 was 2.60 crore, 2.05 crore and 2.45 crore respectively against 1.14 crore by BSNL. Thus, despite holding lesser spectrum than BSNL, the private operators were able to attract and gain more subscribers in these telecom circles due to their ability to provide and maintain a better quality network whereas BSNL despite having established a vast pan India network under phase-wise expansions, carried out for capacity augmentation and technology up-gradation from time to time could not provide and maintain a quality network. Further, BSNL also failed in effective marketing of its products with competitive market driven tariffs as evident from the reasons furnished by subscribers for porting out from BSNL as brought out in Table-2.

Erosion of existing subscriber base due to MNP in these seven BSNL Circles led to a revenue loss of ₹ 100 crore[17] during the above period (**Annexure-XXII**).

Telecom Circles stated (January–March 2014) that the factors responsible for erosion of subscriber base were inability of BSNL to match aggressive marketing campaign by private operators to attract port-in subscribers, match special incentives offered to retailers by other operators for bringing in MNP customers, dissatisfaction with BSNL mobile service coverage, lack of competitive tariffs and poor quality of service and in-ability of BSNL to match freebies offered by other operators.

DoT in its reply (September 2014) had stated that existing subscribers did not port out of BSNLs network due to the poor quality of service being rendered as BSNL has been meeting overall quality of service performance as per TRAI[18] benchmark during the period under comment and hence it will not be appropriate to say that the subscriber base of BSNL is porting out due to quality of service.

The reply of DoT contradicts the fact that four of the seven telecom circles regularly failed to maintain the prescribed TRAI benchmark on BTS downtime (un-availability of network) and call drop rate (live call disconnection) as brought in Tables 2 and 3 above. Further, DoT reply is silent as to why BSNL was facing regular erosion of its existing subscriber base under mobile number portability.

Thus BSNL, despite holding maximum quantity of spectrum in the six service areas, failed to substantially increase its existing subscriber base in fast expanding telecom sector due to its inability to provide and ensure a good quality pan-India GSM mobile network with minimal interruptions (faults) and also could not introduce dynamic market driven tariffs which resulted in erosion of its existing subscriber base in these seven Telecom Circles leading to a revenue loss of ₹ 100 crore during the period 2010-11 to 2012-13.DoT needs to, on priority, identify the reasons for gradual erosion of subscriber base of its PSU viz. BSNL and ensure effective steps are taken so as to enable BSNL to arrest the trend of erosion of subscriber base and also to compete with private operators in all the circles.

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[17] Revenue loss calculation based on monthly blended (prepaid + post paid) average revenue per user (ARPU) of the seven telecom circles of BSNL.

[18] Telecom Regulatory Authority of India.

5.7 Non-deduction of Tax at Source resulted in liability of ₹ 29.74 crore towards Income Tax

Non-deduction of Tax at source on commission paid to Franchisees in the form of trade discounts resulted in liability of ₹ 29.74 crore on BSNL towards Income Tax

M/s Bharat Sanchar Nigam Limited (BSNL) was deducting Tax at Source on commission paid to its franchisees on sale of Re-Charge Coupons/India Telephone Cards up to Assessment Year 2008-09. BSNL Corporate Office issued amendments in December 2007 to its Sales and Distribution Policy, 2006 as per which the franchisees were not acting as agents of BSNL for sale of Recharge coupons (RCC), India Telephone Cards (ITC), Fixed Line Prepaid (FLPP) Sanchar-net Cards, Web Phone Cards and CD Rom. It was further stated that these transactions were on principal to principal basis and accordingly applicable discount was fixed for franchisees. BSNL instructed (April 2008) that in cases where franchisees, Business Associates, PCO holders, Direct Selling Agents etc., were acting on principal to principal basis, deduction of tax at source (TDS) was not applicable since the risk and responsibility of the business was transferred to the person once he bought the coupons/cards by paying the net price after discount. Accordingly, units were advised not to deduct tax at source and separate agreement bringing out the principal to principal nature of transaction was to be executed with the franchisees for this purpose. The amendment was affected without considering the judgment of Income Tax Appellate Tribunal (ITAT), Kolkata which, in the case of a private mobile service provider, had held (April 2006) that trade discount allowed to franchisees was equivalent to commission and liable for TDS deduction.

Considering trade discount allowed to franchisee's equivalent to commission, the Income-Tax authorities first raised a demand on Chennai Telephones in November 2009 for non deduction of TDS on trade discounts allowed to its franchisees. Subsequently, demands were raised by Income Tax authorities in other four Telecom Circles[19] on the same pretext. In March 2011, BSNL reverted back to its earlier procedure of deduction of TDS on commission paid to franchisees with effect from April 2011 (applicable to Assessment Year 2012 - 13). An appeal by BSNL Chennai Circle against the demand notices before Income Tax Appellate Tribunal (ITAT) was dismissed (October 2012) citing the decision of Hon'ble High Court, Delhi.

It was noticed during audit in thirteen[20] Telecom circles that TDS applicable as per IT Act was not deducted on trade discount allowed to franchisees during the period from 2008-09 to 2011-12 (up to June 2011) resulting in huge liability of ₹ 29.74 crore towards income-tax apart from Interest and penalty thereon. Income Tax Authorities had raised a

[19] Hyderabad, Jaipur, Uttar Pradesh& Jammu Telecom Circles.

[20] Chennai Telephones, Andhra Pradesh, Rajasthan, Punjab, Jammu and Kashmir, Haryana, Bihar, Gujarat, Madhya Pradesh, Uttar Pradesh, Orissa, Karnataka& Kerala.

claim for ₹ 14.77 crore against five[21] Telecom Circles for non recovery of TDS and ₹ 2.04 crore towards penalty and interest against two[22]. An amount of ₹ 14.35 crore was paid by four[23] Telecom Circles (**Annexure--XXIII**).

DoT stated (September 2014) in their reply that amendments to existing Sales and Distribution Policy, 2006 were necessitated due to representations received from its franchisee associations for formulating BSNL's policy in accordance with policy of other private service providers who were allowing trade discount instead of commission to obviate payment of service tax on commission paid for sale of SIM cards & recharge coupons. A committee, formed at BSNL Corporate Office, recommended treating sale of some of BSNLs products sold to franchisees on cash basis as principal to principal basis and upfront trade discount on such purchase was to be allowed instead of commission on their sale later and this proposal was approved by the competent authority and BSNL Sales and Distribution Policy was amended accordingly in 2007. However, the Income Tax authorities started issuing notices to BSNL's field units on account of failure to deduct TDS on trade discount offered to franchisees since it was considered by them that the same was equivalent to commission. In view of Hon'ble Delhi High Court decision in favour of deduction of TDS, BSNL reverted back in April 2011 to its earlier policy of deducting TDS on commission paid to franchisees.

The fact remains that due diligence was not done since the judgment of the Income Tax Appellate Tribunal (ITAT), Kolkata of 2006 in respect of private service provider on the same subject, which was available in the public domain, was not considered while amending the existing Sales and Distribution Policy in 2007. As a result, the terms and conditions in franchisee agreements were in contravention to existing Income Tax Act/Orders on the subject and this resulted in liability towards payment of Income-Tax, Interest and penalty of ₹ 29.74 crore due to non-deduction of TDS on trade discount allowed to franschisees. An amount of ₹ 14.35 crore out of ₹ 29.74 crore had been paid so far.

5.8 Unfruitful expenditure due to non-functioning of IPLC-LIM System

International Private Leased Circuit-Lawful Interception and Monitoring (IPLC-LIM) Systems procured by BSNL for Mumbai and Kolkata Gateway nodes for security monitoring of tele-traffic remained non-functional for more than three years since their installation resulting in unfruitful expenditure of ₹ 8.48 crore besides compromising the security requirement of interception and monitoring.

Installation of International Private Leased Circuit–Lawful Interception and Monitoring System (IPLC-LIM) at the Gateways by International Long Distance Telecommunication

[21] Chennai Telephones, Andhra Pradesh, Rajasthan, Jammuand Kashmir and Uttar Pradesh.

[22] Andhra Pradesh and Jammu and Kashmir Telecom Circles.

[23] Chennai Telephones, Andhra Pradesh Jammu and Kashmirand Uttar Pradesh Telecom Circles.

Operators (ILDOs) is the mandatory requirement for providing IPLC services commercially. IPLC-LIM system is used for interception and monitoring of the traffic passing through the IPLC-LIM. The ILDOs shall liaise with the licensor and security agencies with regard to security monitoring of the traffic upon authorization by the Union Home Secretary or Home Secretaries of the States/Union Territories as prescribed in Rule 419 (A) of Indian Telegraph Rules 1951.

BSNL Corporate Office (CO) placed (August 2007) a purchase order (PO) on M/s ICOMM Tele Ltd. for supply, installation and commissioning of the IPLC-LIM system at five[24] Gateway Nodes of BSNL at a cost of ₹ 17.04 crore with a scheduled delivery by 02 January 2008. The equipments at these places were delivered by January 2008. However, the equipments were put to use only at three[25] places by January 2011. As of March 2014, the equipments at Mumbai and Kolkata were yet to be put to use.

A paragraph on "Delay in installation of Lawful Interception and Monitoring and International Private Leased Circuits" appeared in Comptroller and Auditor General of India (C&AG of India) Report No. 10 of 2010-11 wherein non-commissioning or delay in commissioning of equipments at three[26] places (including Kolkata) was pointed out and delay was attributed to failure in clearing the Acceptance Test. It was also pointed out that despite bidder's failure to demonstrate all functionalities of the equipments, no action was taken against the vendor. In the Action Taken Note (ATN) to the paragraph, DoT stated (March 2010) that Acceptance and Testing schedule prescribed by T&D Circle had additional tests other than those performed during validation and no technical specifications/generic requirement were available with BSNL during the procurement of IPLC-LIM equipments. It was further stated that action would be taken against the vendor as per terms and conditions of the PO. But despite assurance by DoT, no action was taken against the vendor in the instant case of non-performance of the equipments except levy of LD charges (October 2014).

Audit observed the following:

- As per clause 11.1 of PO, 60 *per cent* of the cost of equipments was payable on supply of the equipment at the site and on production of Inspection Certificate of Quality Assurance (QA). BSNL CO instructed (October 2007) WTR, Mumbai and ETR Kolkata (March 2008) to release the amount without inspection report of QA on the plea that validation test would be done by validation committee and accordingly, an amount of ₹ 5.10 crore was paid (February/March 2008) to the vendor. As the

[24] Mumbai, Kolkata, Chennai, Ernakulam &Tuticorin.

[25] Chennai- 16 October 2010, Tuticorin- 31 January 2011,Ernakulam- 31 January 2011

[26] Ernakulam, Kolkata and Chennai

validation testing was conducted and completed successfully only in January 2009, the release of payment of ₹ 5.10 crore being 60 *per cent* of the cost of equipments in February/March 2008 was contrary to the PO conditions.

- As per clause 11.1 (b), 30 *per cent* of total cost to be paid on the successful acceptance and testing (AT). As per terms of reference to the Committee constituted (August 2007), AT was to be carried out at Chennai, Kolkata and Ernakulam covering only major parameters. The AT done at ETR Kolkata in January 2009 had some shortcomings like loading and password problem. Similarly, at Mumbai, packet data capture was not demonstrated (October 2014). Despite the shortcomings, an amount of ₹ 1.75 crore was paid by Mumbai unit in March 2009 and payment of ₹ 0.72 crore by Kolkata unit in February 2010 being 30 *per cent* of total cost. As the acceptance testing was not successful, payment of ₹ 2.47 crore being the 30 *per cent* of the cost was not in accordance with the PO conditions.

- As per clause 11.1 (c), balance 10 *per cent* was to be paid only after one year of successful commissioning of equipment. However, WTR, Mumbai released (March 2009) the balance amount of ₹ 0.58 crore for equipment on the plea of clause 11.3 (Sec-III) of the Tender Document[27] on the production of Additional Bank Guarantee (BG) even though the equipment was not commissioned. The bank guarantee was not extended after its expiry in January 2010.

- Further, an additional amount of ₹ 0.33 crore was also paid to the supplier towards installation and commissioning by Mumbai unit though the equipment was yet to be commissioned (October 2014).

The authorities of WTR (March 2014) and ETR (April 2014) replied that payments to vendor were made only on basis of conditions of PO as well as instruction issued by BSNL Corporate Office.

The Management while accepting the non-functioning of equipments stated (September 2014) that:

- The Original Equipment Manufacturer (OEM), M/s Verient was liable for providing technical support for commissioning/smooth functioning of IPCL-LIM in BSNL network for a period of five years as per tender conditions. But OEM stated that there was no privity of contract between them and BSNL, they were no way privy to the tender documents of IPCL and there was no consensus on their part to those tender documents towards BSNL.

[27] 10*per cent* Balance can be paid, if performance is satisfactory and an additional Bank Guarantee (ABG) equivalent to 10 *per cent* of the value of supplies is furnished by the supplier.

- It was proposed to forfeit the Performance Bank Guarantee of ₹ 1.06 crore and black list the company.

- For delay in installation and commission of equipments, BSNL has already recovered LD of ₹ 0.78 crore against M/s ICOMM and there was no violation of clause as payments were released on successful validation and Acceptance testing terms and conditions of PO.

DoT, in its reply,stated (October 2014) that

- IPLC-LIM equipment was installed in Mumbai in May 2008 and taken over by WTR, Mumbai in November 2010;

- clearance of IPLC-LIM was accorded by DoT in 2008;

- payment was released subsequent to successful validation of the equipment at Mumbai; and

- IPLC-LIM equipments were not functioning at Kolkata and Mumbai as on date, the supplier had failed to take corrective action despite several requests and hence PBG forfeiture has been initiated.

The replies are not acceptable as payments were released in contravention of PO clauses as brought out above. Since BSNL had no technical specification/Generic Requirement (GR) regarding IPLC system, it was not reasonable on part of BSNL to relax the terms and conditions of payments which was based on test schedules like Validation, Quality Assurance and Acceptance Testing while making payment to vendor. The relaxation in payment terms did not protect the interest of the Company. BSNL did not enter into any contract with the OEM which was not a good practice particularly considering the reply of OEM that they were not privy to the tender documents of IPCL and there was no consensus on their part to those tender documents towards BSNL. Due to failure to sign any contract with OEM, BSNL could not hold the OEM liable for the shortcomings noticed during the AT resulting in non-installation of the equipments at Mumbai and Kolkata.

Thus failure of BSNL to enter into any contract with OEM and strictly adhere to payment conditions stipulated in the PO resulted in unfruitful expenditure of ₹ 8.48 crore on procurement of IPLC-LIM system as the systems remained idle for more than six years since their supply at Mumbai and Kolkata. Besides, compliance of regulatory requirement to address the security concerns remained unfulfilled.

5.9 Non auto-disconnection of services by the billing system due to non-payment resulted in accumulation of dues from subscribers

Inability of BSNL's billing system to auto-disconnect services on crossing threshold limits and delayed action by billing authorities resulted in accumulation of dues of ₹ 5.61 crore. Further, non-observance of Corporate Office guidelines while approving ISD connection facility resulted in non-recovery of revenue of ₹ 2.82 crore

M/s Bharat Sanchar Nigam Limited (BSNL) started post-paid mobile telephone under the brand name Cell One with effect from October 2002. Zonal Billing Centers (ZBC) were formed at Chandigarh, Kolkatta, Pune, Hyderabad and Trichy under General Manager, Cellular Mobile Telephone Services (CMTS) of respective Telecom Circles of North, East, West and South zones. The Zonal billing centers were responsible for processing of bills, monitoring payments, generation of various reports for monitoring of revenue collection and processing for withdrawal of outgoing/incoming calls in cases of non-payment of dues for all Circles under their billing jurisdiction. Telecom Circles were following different threshold limits of demands not paid (DNP) for disconnection of postpaid cellular mobile connections. BSNL fixed (September 2008) a uniform threshold limit in the billing system for disconnection of a postpaid cellular mobile connection due to non-payment of dues despite crossing threshold limits for various account categories to be followed with immediate effect.

It was noticed during audit of two[28] Telecom circles test checked (January 2013 & August 2013) that due to non disconnection of 14,939 "Individual" category post paid subscribers despite crossing threshold limits assigned in the system and due to lack of proper monitoring by respective billing authorities, these subscribers were permitted to continue mobile facilities up to five billing cycles resulting in accumulation of outstanding dues of ₹ 5.61 crore during the period 01 April 2009 to 30 June 2014.

DoT, in its reply, stated (September 2014) that:

- Post paid subscribers were permitted to continue mobile facilities up to five billing cycles without payment as normally a maximum of two bills are raised after the customer defaults on payment of first bill (total three bills outstanding). In cases of four or five bills outstanding, details of usage was due to the fact that international roaming bills were received at a later date and hence they are normally billed in the fourth or fifth bill generated.

- Corporate Office instructions on the subject have been followed by Zonal Billing Centre at Trichy (Andhra Pradesh Telecom Circle) and Billing and Customer Care

[28] Maharashtra and Andhra Pradesh Telecom circles.

System (BCCS) at Pune (Maharashtra Telecom Circle) and the disconnection procedure process was completely automatic. There has been no fraud in delay in disconnection (DNP) cases.

- The due dates and threshold limit for barring was configured in system based on guidelines issued by Corporate Office from time to time. The auto barring feature has resulted in minimizing the outstanding dues/frauds.

The reply is not acceptable since the very fact that 4th or 5th bills are issued in respect of international roaming clearly indicates there is no real time monitoring mechanism in BSNL for subscribers availing international roaming facility and thus, the system was deficient to that extent. Further, the reply that due dates and threshold limit for barring was configured in system based on guidelines issued by Corporate Office from time to time is very general as no specific reply as to the reasons for delay in disconnection in the cases pointed out by Audit have been furnished. Further, the position needs to be examined in the remaining telecom circles and effective action taken to ensure that bills are raised based on real time monitoring and also timely disconnection is effected by the system in case of dues crossing the threshold limits fixed.

BSNL Corporate Office issued (April 2011) amendments to existing guidelines to check fraudulent activities in CMTS network emphasizing that "International Subscriber Dialing (ISD) with conference facility should be provided only after required customer verification and approval of the Head of Secondary Switching Area (SSA) of the level of SAG or above" and stated that "conference facility out of required combined facility will be provided only after ensuring up to date payment of three previous consecutive bills". It was noticed in two[29] Telecom circles (December 2013 & January 2014) that 202 Post Paid Mobile connections with ISD and conference facility were provided to eight subscribers without mandatory credential verification and obtaining approval of the competent authority (Official of the rank of SAG or above). Further, billing system failed to generate usage pattern of the subscriber on daily basis. Non-adherence to the Corporate Office guidelines and failure of the billing system to generate usage pattern regularly resulted in accumulation of dues to the extent of ₹ 2.82 crore.

DoT replied (September 2014) that

- For the fraud cases in Karnataka Telecom Circle which have occurred due to non adherence of Corporate Office guidelines, the responsibility has been fixed on the concerned staff and in some of the fraud cases, vigilance case was still under process.

[29] Karnataka & Tamil Nadu Telecom circles.

- In respect of fraud cases in Tamilnadu Telecom Circle, the local billing address given by the defaulter in application did not exist and on a thorough CBI investigation, an amount of ₹ 1.92 lakh was seized and deposited in Bank as per directions of the Court. BSNL panel advocate has opined that pursuance of the case any further was futile and expensive one and therefore the dues of M/s Himalaya Herbals has been proposed for write-off.

Thus, it is clear from the reply that an amount of ₹ 2.82 crore was rendered irrecoverable. Effective steps may be taken to enhance the internal controls in the system in order to ensure that facilities are activated to the subscribers only after approval by competent authority.

5.10 Imprudent Investment in GPON/GEPON Project

Procurement of GPON/GEPON equipments without detailed market study and obtaining of requirements from the Circles besides delayed installation of the same resulted in idling of equipments valued ₹ 377.15 crore and non-provision of envisaged services like Internet Protocol Television, Voice over Internet Protocol and Video on demand to the FTTH (Fibre to the Home) customers defeating the purpose of procurement of such equipments.

M/s Bharat Sanchar Nigam Limited (BSNL) decided (May 2007) to deploy "Passive Optical based Network" (PON)[30] technology through Optical Fibre Cable (OFC) to provide voice, data and video services to their customers and identified Gigabit Passive Optical Network (GPON) and Gigabit Ethernet Passive Optical Network (GEPON) as two major technologies for meeting the requirements of urban and rural customers respectively under "Fibre to the Home" (FTTH)[31] network. The main objective of the project was to provide high bandwidth broadband services[32] such as Internet Protocol Television (IPTV), Voice over Internet Protocol (VOIP) and Video on demand by using GPON/GEPON technology etc.

A PON consists of a central office node called an Optical Line Terminal (OLT), one or more user nodes called optical network units (ONUs) or Optical Network Terminals (ONTs) and the fibers and splitters between them. An OLT is the service provider

[30] PON technology involves provisioning of services, at consumer end, through optical fibre (OF) cable, known as Fibre To The Home (FTTH) services. The provisioning of services through OF increases quality, speed and variety of services to consumers. Under this technology, single OF caters to 32 customers with high bandwidth and OF cable is laid up to the customer premises.

[31] FTTH is delivery of a communication signal over optical fibre from the operator's switching equipment all the way to a home or business.

[32] Audio on demand service, Bandwidth on demand, Remote Education, Point to Point and Point to Multipoint Video conferencing, Voice and Video telephony over IP, Interactive Gaming, Layer 3 Virtual Private Network (VPN), VPN on Broadband, Dial-upVPN service and Virtual Private LAN service (VPLS).

endpoint of a PON and is placed in the Central Office or head end. The ONT or ONU terminates the PON and presents the native service interfaces to the user.

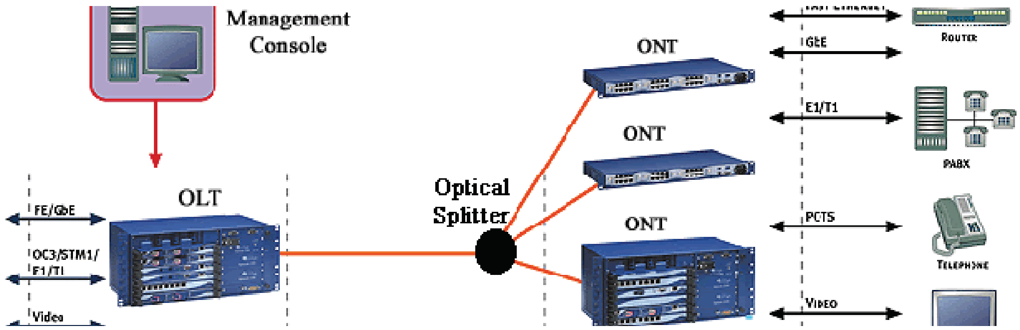

Figure 1: General Architecture

The approved plan of the Management Committee (June 2007) on roll out of FTTH had been communicated to field units by the BSNL Corporate Office in September 2007 and it was targeted that 18.32 lakh customers would be covered under GPON/GEPON during the period from May 2007 to December 2010 in four phases. Four Project Circles - Northern Telecom Projects (NTP) - Delhi, Eastern Telecom Projects (ETP) - Kolkata, Western Telecom Projects (WTP) - Mumbai and Southern Telecom Projects (STP) - Chennai were made (September 2008) responsible for installation and commissioning in coordination with the respective Territorial Circles. The estimated cost of the project was ₹ 1,150 crore and was to be funded from internal resources of retained earnings and current assets. BSNL placed (May 2009) purchase orders for procurement of 1,720 Optical Line Terminals (OLTs)/chassis, 234 Local Area Network (LAN) switches and 5.50 lakh Optical Network Terminals (ONTs) for GPON equipment and 166 OLTs and 1.06 lakh ONTs for GEPON equipment on five[33] vendors at a cost of ₹ 1,119.73 crore.

Audit scrutiny of the records in BSNL Corporate Office, four Project Circles and ten[34] Telecom Circles covering a period from April 2009 to March 2013 revealed the following deficiencies:

- In accordance with the phase-wise implementation plan approved by the Management Committee in June 2007, a proposal for procurement of 32,000 lines was submitted by BSNL Corporate office to the Management Committee (MC) under the Board of BSNL which was revised (December 2007) by the MC to five lakh lines (GPON: 3.5

[33] M/s ITI Limited, M/s Sterlite Technologies Limited, M/s Nokia Siemens Network India Private Limited, M/s Teracom Limited and M/s ICOMM Limited.

[34] Chennai, Tamil Nadu, Karnataka, Maharashtra, Rajasthan, Punjab, Uttar Pradesh (East), Uttar Pradesh (West), Kolkata and West Bengal

lakh and GEPON: 1.5 lakh) at an estimated cost of ₹ 850 crore. The Board of BSNL decided (December 2007) to further enhance the quantity of GPON equipment by additional two lakh lines at an additional cost of ₹ 300 crore on the grounds that endeavour should be made to cover all satellite townships and industrial clusters which had potential demand and accorded approval (December 2007) accordingly.

Audit observed that the decision was taken without a proper business plan/pilot study and estimate of the equipment was not obtained from the user branches (Circle offices) which was contrary to the requirements laid down in the procurement manual which stipulated that the forecast for the requirement of equipment was to be prepared by the user branches concerned which plan for induction of such equipment into the network and also the requirement of the equipment against each project or by each Circle should be worked out after discussions with the concerned heads of the Circles before the same was finalized by the Corporate Office. Further, though the GPON/GEPON equipment was a new item, no member from the Telecom Engineering Centre (TEC) was inducted in the Committee for Evaluation of Tenders (CET) formed for the evaluation of GPON/GEPON tenders as stipulated in BSNL procurement policy.

DoT stated (October 2013) that planning for purchase of 5 lakh lines was made by Core Network Planning (CNP) cell of Corporate Office and BSNL Board approved the proposal for procurement of 3.50 lakh lines of GPON and 1.50 lakh lines of GEPON in December 2007. DoT further stated (October 2013) that CET for GPON/GEPON had been formed by the MMT section of BSNL Corporate Office and in both the tenders, there were two technical members viz. DDG(TX) and Jt. DDG (OF).

The reply is not acceptable as the Board in their meeting held on 27 December 2007 approved procurement of 7 lakh lines and not 5 lakh lines as stated in the reply. The reply does not state anything regarding procurement of the equipment without assessing the demand for the equipment by way of market study as GPON/GEPON was a new technology. Regarding constitution of CET, the fact remains that BSNL Corporate office did not follow their own requirements stipulated in the procurement manual and thus was deprived of their expertise while implementing the latest technologies in the telecom sector.

➢ Element Management System (EMS) manages all the OLTs in the same city as well as the OLTs of the same PON technology in the remote cities using Data Communication Network (DCN). As per the terms and conditions of the tender, the installation, specifically GPON chassis, LAN switches and splitters alongwith Element Management Systems (EMS) and Fibre Distribution and Management Systems (FDMS) was to be done by the respective Project Circles within six months of receipt of equipment from the suppliers. Further, suppliers were to integrate each chassis and

LAN switches and its EMS/Local Craft Terminal (LCT)/Point of Presence (POP) to the National Internet Backbone-II (NIB-II) within six months after the installation of OLT equipments by Project Circles.

Audit observed that out of 1,886 OLTs, 6,16,568 ONTs and 5,07,140 batteries supplied as of March 2013, 143 OLTs worth ₹ 38.60 crore and 6,04,680 ONTs including 4,95,252 batteries worth ₹ 338.55 crore were lying unutilised in all the Circles. Audit further noticed (September 2012) that the installation and integration of the GPON and GEPON OLTs with EMS had not been done in Tamil Nadu, Punjab, Uttar Pradesh (West) Circles as well as in Asansol and Durgapur in West Bengal Telecom Circle.

DoT stated (October 2013) that there were some initial delays in installation of OLT equipments due to non-availability of media/Optical Fibre cable, unavailability of space and now majority of GPON/GEPON equipments had been installed and commissioned and telecom Circles and Project Circles had been asked to complete the installation and commissioning latest by March 2014, wherever installation and commission was pending. DoT also stated (October 2013) that difficulties were being experienced by field units in providing last mile OF connection at customer premises and Circles were authorised to procure 2F/4F Cables. DoT further stated (October 2013) that all the OLTs supplied under GPON/GEPON were to be connected with EMS, all the installed OLTs have been connected with EMS and integration of EMS supplied by M/s. ITI and M/s. Sterlite had been validated.

The reply is not acceptable as audit observed inordinate delay in finalisation of locations, space and lay out plans for the OLTs at the Circles and also the integration of installed OLTs with EMS took place after a delay of more than 3 years and 6 months from the scheduled date of supply in respect of GPON equipments (April 2010 to October 2013) and more than two years in respect of GEPON equipments (September 2011 to October 2013) which resulted in delayed delivery of quality services to new customers.

- The Resilient Packet Ring (RPR) switch is a protocol standard designed for the optimised transport of data traffic over optical fibre networks through one common platform. RPR switch was mentioned as optional item in the Notice Inviting Tender (March 2008) of GPON/GEPON equipment.

Audit observed that though a large number of RPR switches of equal capacity had already been deployed (February 2008) under Broadband Multiplay[35] spanning 98 cities, BSNL placed orders for 234 RPR switches (60 switches for Eastern Region, 57 switches for Western Region and 117 switches for Northern Region) except for Southern Region (STP) at a cost of ₹ 107.35 crore without working out the region-wise requirement. While no

[35] Broadband Multiplay offers voice, video and data through copper cable to the customer from the telephone exchange.

switches were procured for Southern Region, the requirement in other regions was not assessed before placing the order. Audit ascertained (October 2014) that as on March 2013, out of 234 RPR switches supplied, 182 switches were installed against which only 95 were commissioned. Thus, 139 RPR switches worth ₹ 63.77 crore[36] including 52 switches were not commissioned (March 2013) resulting in unfruitful capital expenditure of ₹ 63.77 crore besides non-achievement of optimised transport of data traffic over OF networks through one common platform, which was one of the objectives of adopting PON technology.

DoT stated (October 2013) that Circles have been instructed to utilise RPR Switches supplied for augmentation of Broadband multiplay project and complete the commissioning in financial year 2013-14.

The fact remains that improper planning and procurement of RPR switches by BSNL Corporate Office without assessing the actual requirement resulted in unfruitful capital expenditure of ₹ 63.77 crore. Further, due to non-installation of 139 RPR switches, BSNL failed to achieve its objective of optimised transport of data traffic over OF networks through one common platform.

- As per instructions issued (May 2011) to the Circles by BSNL Corporate Office, the Circles were to finalise the franchisees for rolling out the Fibre to the Home (FTTH) services since BSNL itself could not provide all specified services. Thus, BSNL had to enter into agreements with private Content Providers for each service on revenue sharing basis or on usage basis. Audit noticed that no agreements were entered with the private content providers in any of the Circles test checked as of June 2013.

DoT stated (October 2013) that games on demand, game/video/music on demand and IPTV were already being provided over broadband including FTTH, Circles were asked to finalize the franchisees on revenue share basis through EOI but could not succeed and efforts were on to re-float the tender from Corporate Office for finalization of Franchisee for roll out, operation and maintenance of FTTH.

The reply confirms that all the services envisaged using GPON/GEPON technology was yet to be provided (February 2015) due to delay in entering into agreement with private content providers.

- The charging of customers for voice calls was being done on the basis of charge band received from Trunk Automatic Exchange (TAX) as per standard pulse and the Metered Call Units (MCU[37]) were being downloaded by each of the exchanges

[36] Cost of one RPR switch = (₹ 107.35 crore / 234) =₹ 0.45876 crore. Thus, cost of total not commissioned 139 RPR switches(234 - 95) works out to = ₹ 0.45876 crore X 139 = ₹ 63.77 crore

[37] MCU is Metered Call Unit for the charging of voice telephone calls made by a customer.

manually from the Noida soft switch[38]. The same was then used for generation of billing by the concerned office. BSNL was having Call Data Record (CDR[39]) based software for customer facilitation and billing developed by Tata Consultancy Services (TCS) for all the services except FTTH.

BSNL stated (July 2012) that FTTH billing was presently being done through DOTSOFT package upgraded by Information Technology Project Circle (ITPC), Pune. DoT stated (October 2013) that FTTH billing was not in the scope of CDR tender and the present system of All India DOTSOFT was proven system and no bills were delayed due to system reasons.

The fact remains that BSNL did not have an integrated FTTH billing system. Due to non inclusion of FTTH billing in CDR software, automatic disconnection of customers on crossing of threshold limits would not occur resulting in accumulation of dues recoverable from the customers as evident from amount of ₹ 1.17 crore pending recovery as of February 2015 out of ₹ 26.66 crore billed for services provided from March 2010 till March 2013 to 22,778 customers.

- BSNL failed to achieve the Revenue[40] as well as Customer[41] Targets in all the years during the period from 2010-11 to 2012-13. While the achievement of revenue was 0.20[42] *per cent* in 2010-11 and 4[43] *per cent* in 2011-12, no target was set for 2012-13[44], the number of customers acquired during the three years ending 2012-13 was only 0.26[45] *per cent*, 1.54[46] *per cent* and 8.58[47] *per cent* respectively.

DoT stated (October 2013) that since FTTH was a new service and BSNL was the first operator in India to launch such services at all India level, it would take some time for making user aware about the new technology and marketing the product and picking up of services, daily monitoring was helping to increase the uptake and the speed of customer acquisition had increased since February 2013 and BSNL was expecting 80 *per cent* of capacity utilisation by December 2014. DoT further stated that as on 30 September 2013, 17,552 High speed internet connections, 10,306 VOIP connections on FTTH, 916 IPTV connections, 230 Internet Leased Lines on FTTH and 1,827 VPN connections on FTTH are working.

[38] Softswitch is short for software switch, which is a central device in a telecommunication network connects telephone calls from one phone line to another, across a telecommunication network, entirely by means of software running on a general purpose computer system

[39] CDR is Call Data Record which is a centralized integrated billing software for landline connections.

[40] Revenue Target during 2010-11 and 2011-12 was ₹ 290.00 crore and ₹ 136.62 crore respectively.

[41] Customer Target during the period from 2010-11 to 2012-13 was 5,00,565, 2,69,724 and 2,65,564 respectively.

[42] Revenue billed was ₹ 0.59 crore.

[43] Revenue billed was ₹ 5.40 crore

[44] Revenue billed was ₹ 20.67 crore

[45] 1,294 customers

[46] 4,160 customers

[47] 22,778 customers

The fact remains (December 2013) that even after a lapse of four years, 100 *per cent* installation/commissioning of GPON/GEPON equipments were not completed as 143 OLTs (8 *per cent*), 6,04,680 ONTs (98 *per cent*) including 4,95,252 batteries (98 *per cent*) and 139 RPR (59 *per cent*) switches were yet to be installed; the integration of Elementary Management System took place after more than 3 years and 6 months from the scheduled date of supply in respect of GPON equipments (April 2010 to October 2013) and more than two years in respect of GEPON equipments (September 2011 to October 2013) as stated by DoT. Further, BSNL could achieve only 22,778 customers (1.24 *per cent*) customers against the target of 18.32 lakh customers by December 2010 though total equipped capacity was 6,56,240 lines (93.75 *per cent*) against the planned seven lakh lines.

As a result, the objective of BSNL viz. to provide various services such as voice as well as High Speed internet, Voice over Internet Protocol (VOIP) and video services on the FTTH using GPON/GEPON technology to generate more revenue as anticipated at the time of planning to deploy the new technology remained unfulfilled. Thus, the very purpose for which this scheme was launched viz. provision of various services for increasing the revenue was defeated due to procurement of equipments for seven lakh lines in one-go without assessment of user requirements, delay in installation of the equipments procured and lack of effective monitoring for installation and integration of the equipments procured by BSNL as brought out above.

5.11 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 is 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 PAC 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 M/s 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 2014 revealed that ATNs in respect of 97 paragraphs were pending as of September, 2014 of which ATNs on 10 paragraphs were not received at all, as detailed in the ***Appendix- I***.

CHAPTER - VI
GENERAL

6.1 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 (Civil) up to the year 2014 revealed that ATNs in respect of 20 paragraphs relating to three departments viz., DoP, DoT and DeitY under MoC&IT, were pending as of September, 2014 of which ATNs on nine paragraphs were not received at all, as detailed in the ***Appendix- II***.

New Delhi	**(R B Sinha)**
Dated : 23 April 2015	**Director General of Audit**
	(Post and Telecommunications)

Countersigned

New Delhi	**(Shashi Kant Sharma)**
Dated : 24 April 2015	**Comptroller and Auditor General of India**

ANNEXURES

Annexure-I
(Para 2.2)

Statement showing calculation of cost recoverable on account of GSM spectrum holdings above prescribed 2G spectrum by the TSPs

(₹ in crore)

Sl. No.	Date of communication of ISAR agreement for 2G	Name of the Operator	Name of Service area	2G spectrum held by the operator	2G Spectrum held in excess of 4.4 MHz (GSM) / 2.5 MHz (CDMA)	Reserve Price/ Auction Price per block (1.25 MHz)	Cost of spectrum held in excess of 4.4 MHz(GSM) / 2.5 MHz (CDMA)
1	25-01-12	Bharti	AP	10	5.6	286.91	1285.36
2	02-03-12	Tata	AP	4.4	0		
3	25-01-12	Vodafone	AP	6.2	1.8	286.91	413.15
4	22-02-12	Aircel	Assam	6.2	1.8	8.67	12.48
5	22-02-12	Idea	Assam	4.4	0		
6	24-03-11	S Tel	Assam	4.4	0		
7	24-03-11	Vodafone	Assam	4.4	0		
8	30-03-12	Aircel	Bihar	4.4	0		
9	25-01-12	Bharti	Bihar	9.2	4.8	46.43	178.29
10	28-05-10	Idea	Bihar	4.4	0		
11	30-03-12	Reliance	Bihar	8	3.6	46.43	133.72
12	24-03-11	S Tel	Bihar	4.4	0		
13	28-06-11	Tata	Bihar	4.4	0		
14	27-05-10	Vodafone	Bihar	4.4	0		
15	26-08-11	Aircel	Gujarat	4.4	0		
16	25-01-12	Bharti	Gujarat	6.2	1.8	224.84	323.77
17	25-01-12	Vodafone	Gujarat	9.8	5.4	224.84	971.31
18	20-12-12	Bharti	Maharashtra	8.2	3.8	262.81	798.94
19	20-12-12	Idea	Maharashtra	9.8	5.4	262.81	1135.34
20	26-08-11	Aircel	Maharashtra	4.4	0		
21	26-08-11	Tata	Maharashtra	4.4	0		
22	26-08-11	Aircel	MP	4.4	0		
23	25-03-10	Idea	MP	8	3.6	53.99	155.49
24	26-07-10	Tata	MP	4.4	0		
25	25-03-11	Videocon	MP	4.4	0		
26	25-03-10	Vodafone	MP	4.4	0		
27	22-02-12	Aircel	NE	4.4	0		
28	17-12-12	Bharti	NE	6.2	1.8	8.84	12.73
29	22-02-12	Idea	NE	4.4	0		
30	24-03-11	S Tel	NE	4.4	0		
31	24-03-11	Vodafone	NE	4.4	0		

Sl. No.	Date of communication of ISAR agreement for 2G	Name of the Operator	Name of Service area	2G spectrum held by the operator	2G Spectrum held in excess of 4.4 MHz (GSM) / 2.5 MHz (CDMA)	Reserve Price/ Auction Price per block (1.25 MHz)	Cost of spectrum held in excess of 4.4 MHz(GSM) / 2.5 MHz (CDMA)
32	20-04-12	Aircel	Orissa	4.4	0		
33	28-07-10	Idea	Orissa	4.4	0		
34	20-04-12	Reliance	Orissa	6.2	1.8	20.27	29.19
35	24-03-11	S Tel	Orissa	4.4	0		
36	28-07-10	Tata	Orissa	4.4	0		
37	24-03-11	Vodafone	Orissa	4.4	0		
38	25-03-10	Vodafone	Tamilnadu	7.2	2.8	306.69	686.99
39	29-03-12	Bharti	Tamilnadu	9.2	4.8	306.69	1177.69
40	29-03-12	Reliance	Tamilnadu	4.4	0		
41	29-03-12	Aircel	UP (E)	4.4	0		
42	20-12-12	Bharti	UP (E)	7.2	2.8	76.17	170.62
43	20-12-12	Idea	UP (E)	6.2	1.8	76.17	109.68
44	29-03-12	Reliance	UP (E)	4.4	0		
45	16-12-11	Tata	UP (E)	4.4	0		
46	16-12-11	Vodafone	UP (E)	8.2	3.8	76.17	231.56
47	26-08-11	Aircel	UP (W)	4.4	0		
48	25-01-12	Bharti	UP (W)	6.2	1.8	107.41	154.67
49	29-03-12	Reliance	UP (W)	4.4	0		
50	26-08-11	Tata	UP (W)	4.4	0		
51	25-01-12	Vodafone	UP (W)	6.2	1.8	107.41	154.67
52	25-01-12	Bharti	WB	6.2	1.8	25.84	37.21
53	28-07-10	Idea	WB	4.4	0		
54	28-07-10	Tata	WB	4.4	0		
55	24-03-11	Vodafone	WB	6.2	1.8	25.84	37.21
Total :							**8210.07**

Annexure-II (a)
(Para 2.2)

Statement showing the additional spectrum usage charges on merger of spectrum

Sl. No.	Date of communication of ISAR agreement for 2G	Name of Service area	Name of ICR provider	2G spectrum held by ICR Provider	2G spectrum held by ICR seeker	Total spectrum available for sharing for the operators	Whether 3G spectrum available	Rate of SUC applicable (%)	Rate at which SUC paid (%)	Difference of rates (%)	Total of AGR (₹ in crore)	Additional SUC payable on merger (₹ in crore)
1	22.02.2012	Assam	Aircel	6.2	4.4	10.6	Yes	7	4	3	142.89	4.29
2	22.02.2012	NE	Aircel	4.4	4.4	8.8	No	6	2	4	91.81	3.67
3	20.12.2012	Maharashtra	Bharti	8.2	9.8	18	No	8	4	4	314.07	12.56
4	17.12.2012	NE	Bharti	6.2	4.4	10.6	Yes	7	4	3	168.36	5.05
5	20.12.2012	UP (E)	Bharti	7.2	6.2	13.4	No	6	4	2	512.51	10.25
6	24.04.2012	Rajasthan	IDEA	6.2	4.4	10.6	No	5	3	2	123.57	2.47
7	12.08.2010	Mumbai	LOOP	10	4.4	14.4	Yes	8	6	2	94.67	1.89
8	30.03.2012	Bihar	RELIANCE	8	6.2	14.2	Yes	8	5	3	346.1	10.38
9	20.04.2012	Himachal Pradesh	RELIANCE	0	4.4	4.4	Yes	3	0	3	70.1	2.10
10	20.04.2012	J & K	RELIANCE	4.4	4.4	8.8	Yes	6	3	3	59.34	1.78
11	20.04.2012	Orissa	RELIANCE	6.2	4.4	10.6	Yes	7	4	3	151.07	4.53
12	29.03.2012	UP (E)	RELIANCE	4.4	4.4	8.8	No	4	2	2	308.31	6.17
13	28.06.2011	Bihar	SSTL	0	4.4	4.4	No	2	0	2	133.72	2.67
14	12.08.2010	Kerala	SSTL	0	4.4	4.4	No	2	0	2	16.46	0.33
15	26.08.2011	Gujarat	TATA	4.4	4.4	8.8	Yes	6	3	3	404.3	12.13

Sl. No.	Date of communication of ISAR agreement for 2G	Name of Service area	Name of ICR provider	2G spectrum held by ICR Provider	2G spectrum held by ICR seeker	Total spectrum available for sharing for the operators	Whether 3G spectrum available	Rate of SUC applicable (%)	Rate at which SUC paid (%)	Difference of rates (%)	Total of AGR (₹ in crore)	Additional SUC payable on merger (₹ in crore)
16	26.08.2011	Haryana	TATA	4.4	4.4	8.8	Yes	6	3	3	307.51	9.23
17	26.08.2011	Maharashtra	TATA	4.4	4.4	8.8	Yes	6	3	3	905.03	27.15
18	26.08.2011	MP	TATA	4.4	4.4	8.8	Yes	6	3	3	509.07	15.27
19	28.07.2010	Orissa	TATA	4.4	4.4	8.8	No	6	2	4	393.01	15.72
20	26.08.2011	Rajasthan	TATA	4.4	4.4	8.8	Yes	6	3	3	240.31	7.21
21	26.08.2011	UP (W)	TATA	4.4	4.4	8.8	Yes	6	3	3	351.06	10.53
22	28.07.2010	WB	TATA	4.4	4.4	8.8	No	4	2	2	268.16	5.36
23	25.01.2012	AP	VODAFONE	6.2	10	16.2	No	6	4	2	3806.66	76.13
24	24.03.2011	Assam	VODAFONE	4.4	4.4	8.8	No	4	2	2	83.02	1.66
25	25.01.2012	Bihar	VODAFONE	4.4	9.2	13.6	No	8	2	6	2691.88	161.51
26	25.01.2012	Gujarat	VODAFONE	9.8	6.2	16	Yes	8	6	2	1308.59	26.17
27	25.03.2010	MP	VODAFONE	4.4	8	12.4	No	6	2	4	4452.86	178.11
28	24.03.2011	Orissa	VODAFONE	4.4	4.4	8.8	No	6	2	4	86.86	3.47
29	26.03.2010	TN including Chennai	VODAFONE	7.2	4.4	11.6	Yes	7	5	2	562.19	11.24
30	25.01.2012	UP (W)	VODAFONE	6.2	6.2	12.4	No	6	3	3	1079.06	32.37
31	16.12.2011	UP (E)	VODAFONE	8.2	4.4	12.4	Yes	8	5	3	2586.56	77.60
32	25.01.2012	WB	VODAFONE	6.2	6.2	12.4	Yes	8	4	4	1268.34	50.73
												789.73

Annexure-II (b)
(Para 2.2)

Statement showing the additional spectrum usage charges on merger of spectrum

Sl. No.	Date of communication of ISAR agreement for 2G	Name of Service Area	Name of ICR Seeker	2G Spectrum held by the ICR Seeker	2G Spectrum field by the ICR provider	Total Spectrum available for sharing for the operators	Whether 3G Spectrum available	Rate of SUC applicable (in %)	Rate-which SUC paid (in %)	Difference of Rates (in %)	Total of AGR	Additional SUC payable on merger
1	30.03.12	Bihar	Aircel	6.2	8	14.2	Yes	8	4	4	293.15	11.73
2	26.08.11	Gujarat	Aircel	4.4	4.4	8.8	No	4	2	2	56.75	1.14
3	26.08.11	Haryana	Aircel	4.4	4.4	8.8	No	4	2	2	0.31	0.00
4	20.04.12	Jammu & Kashmir	Aircel	4.4	4.4	8.8	Yes	6	3	3	407.15	12.21
5	26.08.11	Maharashtra	Aircel	4.4	4.4	8.8	No	4	2	2	85.6	1.71
6	26.08.11	Madhya Pradesh	Aircel	4.4	4.4	8.8	No	4	2	2	65.83	0.00
7	20.04.12	Orissa	Aircel	4.4	6.2	10.6	Yes	7	3	4	207.58	8.30
8	24.04.12	Rajasthan	Aircel	4.4	6.2	10.6	No	5	2	3	37.62	1.13
9	26.08.11	Uttar Pradesh (West)	Aircel	4.4	4.4	8.8	No	4	2	2	141.31	2.83
10	29.03.12	Uttar Pradesh (East)	Aircel	4.4	4.4	8.8	Yes	6	3	3	234.53	7.04
11	25.01.12	Andhra Pradesh	Bharati	10	6.2	16.2	Yes	8	6	2	4509.2	90.18
12	25.01.12	Bihar	Bharati	9.2	4.4	13.6	Yes	8	6	2	3265.61	65.31

Sl. No.	Date of communication of ISAR agreement for 2G	Name of Service Area	Name of ICR Seeker	2G Spectrum held by the ICR Seeker	2G Spectrum field by the ICR provider	Total Spectrum available for sharing for the operators	Whether 3G Spectrum available	Rate of SUC applicable (in %)	Rate-which SUC paid (in %)	Difference of Rates (in %)	Total of AGR	Additional SUC payable on merger
13	25.01.12	Gujarat	Bharati	6.6	9.8	16	No	6	3	3	801.94	24.06
14	25.01.12	Uttar Pradesh (West)	Bharati	6.2	6.2	12.4	Yes	8	4	4	1036.85	41.47
15	25.01.12	West Bengal	Bharati	6.2	6.2	12.4	Yes	8	4	4	1191.58	47.66
16	22.02.12	Assam	Idea	4.4	6.2	10.6	No	5	2	3	14.77	0.40
17	27.05.10	Bihar	Idea	4.4	4.4	8.8	No	4	2	2	1228.37	24.57
18	27.03.12	Jammu & Kashmir	Idea	4.4	4.4	8.8	Yes	6	3	3	23.7	0.71
19	20.12.12	Maharashtra	Idea	9.8	8.2	18	Yes	8	6	2	1369.59	27.39
20	25.03.10	Madhya Pradesh	Idea	8	4.4	12.4	Yes	8	5	3	4914.97	147.45
21	22.02.12	North East	Idea	4.4	4.4	8.8	No	4	2	2	12.31	0.25
22	28.07.10	Orissa	Idea	4.4	4.4	8.8	No	4	2	2	113.23	2.26
23	26.03.10	TN including Chennai	Idea	4.4	7.2	11.6	No	5	2	3	142.81	4.28
24	20.12.12	Uttar Pradesh (East)	Idea	6.2	7.2	13.4	Yes	8	4	4	450.36	18.03
25	24.03.11	West Bengal	Idea	4.4	6.2	10.6	No	5	2	3	199.25	5.98
26	29.03.12	Tamil Nadu	Reliance	4.4	9.2	13.6	No	6	2	4	356.87	24.27
27	29.03.12	UttarPradesh (West)	Reliance	4.4	4.4	8.8	No	4	2	2	208.4	4.17

Sl. No.	Date of communication of ISAR agreement for 2G	Name of Service Area	Name of ICR Seeker	2G Spectrum held by the ICR Seeker	2G Spectrum field by the ICR provider	Total Spectrum available for sharing for the operators	Whether 3G Spectrum available	Rate of SUC applicable (in %)	Rate-which SUC paid (in %)	Difference of Rates (in %)	Total of AGR	Additional SUC payable on merger
28	24.03.11	Assam	S Tel	4.4	4.4	8.8	No	4	2	2	2.62	0.05
29	24.03.11	Bihar	S Tel	4.4	4.4	8.8	Yes	6	3	3	32.45	0.97
30	24.03.11	North East	S Tel	4.4	4.4	8.8	No	4	2	2	0.84	0.02
31	24.03.11	Orissa	S Tel	4.4	4.4	8.8	Yes	6	3	3	17.97	0.54
32	02.03.12	Andhra Pradesh	Tata	4.4	6.2	10.6	No	5	2	3	716.91	21.51
33	16.12.11	Uttar Pradesh (East)	Tata	4.4	8.2	12.6	No	6	2	4	377.35	15.09
34	12.08.10	Kerala	Vodafone	4.4	4.4	8.8	No	4	2	2	5.39	0.11
35	26.07.10	Madhya Pradesh	Vodafone	4.4	4.4	8.8	No	4	2	2	9.03	0.18
36	12.08.10	Mumbai	Vodafone	4.4	10	14.4	No	6	2	4	30.68	0.00
37	17.12.12	North East	Vodafone	4.4	6.2	10.6	No	5	2	3	58.28	1.75
												604.80
												789.73
												1394.53

ANNEXURE-III
(Para 2.4)

Statement showing the undue benefit extended to the CDMA Operators

(₹ in crore)

Sl. No.	Service Area	CDMA Operators	Total Spectrum allocated (in MHz)	Date of License	License valid upto	Period upto which spectrum holding in 800 MHz is valid (calculated w.e.f. 01 September 2010) (in years)	Winning/Reserve price in Mar 2013 auction for 2X1.25 MHz spectrum in 800 MHz band (for 20 years)	Proportionate price for the spectrum holding in 800 MHz of the CDMA operators (providing EVDO services using these spectrum band) for the period from 01 September 2010 to till the validity of license
1	**Andhra Pradesh#**	RCL	5	20-07-2001	19-07-2021	10.88	186.49	405.93
		Tata	3.75	30-09-1997	29-09-2017	7.08		197.99
		BSNL	2.5	29-02-2000	28-02-2020	9.49		177.01
2	**Assam#**	BSNL	2.5	29-02-2000	28-02-2020	9.49	5.63	5.34
3	**Bihar#**	Tata	3.75	30-01-2004	29-01-2024	13.41	27.63	55.58
		BSNL	2.5	29-02-2000	28-02-2020	9.49		26.23
4	**Delhi***	RCL	5	20-07-2001	19-07-2021	10.88	450.49	980.57
		Tata	5	31-08-2001	30-08-2021	11.00		990.83
5	**Gujarat ***	RCL	3.75	30-09-1997	29-09-2017	7.08	146.15	155.16
		Tata	3.75	31-08-2001	30-08-2021	11.00		241.09
		BSNL	2.5	29-02-2000	28-02-2020	9.49		138.72
6	**Haryana#**	RCL	3.75	20-07-2001	19-07-2021	10.88	30.24	49.37
		Tata	3.75	30-01-2004	29-01-2024	13.41		60.83
		BSNL	2.5	29-02-2000	28-02-2020	9.49		28.70
7	**Himachal Pradesh#**	Tata	2.5	30-01-2004	29-01-2024	13.41	5.06	6.79
		BSNL	2.5	29-02-2000	28-02-2020	9.49		4.80

Sl. No.	Service Area	CDMA Operators	Total Spectrum allocated (in MHz)	Date of License	License valid upto	Period upto which spectrum holding in 800 MHz is valid (calculated w.e.f. 01 September 2010) (in years)	Winning/Reserve price in Mar 2013 auction for 2X1.25 MHz spectrum in 800 MHz band (for 20 years)	Proportionate price for the spectrum holding in 800 MHz of the CDMA operators (providing EVDO services using these spectrum band) for the period from 01 September 2010 to till the validity of license
8	**Jammu & Kashmir#**	BSNL	2.5	29-02-2000	28-02-2020	9.49	4.11	3.90
9	**Karnataka***	RCL	5	20-07-2001	19-07-2021	10.88	214.58	467.07
		Tata	3.75	31-08-2001	30-08-2021	11.00		353.97
		BSNL	2.5	29-02-2000	28-02-2020	9.49		203.67
10	**Kerala***	RCL	5	20-07-2001	19-07-2021	10.88	42.45	92.40
		Tata	3.75	30-04-2004	29-04-2024	13.66		86.99
		BSNL	3.75	29-02-2000	28-02-2020	9.49		60.44
11	**Kolkata***	RCL	5	20-07-2001	19-07-2021	10.88	73.92	160.90
		Tata	3.75	30-01-2004	29-01-2024	13.41		148.70
		BSNL	2.5	29-02-2000	28-02-2020	9.49		70.16
12	**Madhya Pradesh#**	RCL	5	20-07-2001	19-07-2021	10.88	35.09	76.38
		Tata	2.5	12-02-2004	11-02-2024	13.44		47.18
		BSNL	2.5	29-02-2000	28-02-2020	9.49		33.31
13	**Maharashtra#**	RCL	5	20-07-2001	19-07-2021	10.88	170.83	371.84
		Tata	5	30-09-1997	29-09-2017	7.08		241.82
		BSNL	2.5	29-02-2000	28-02-2020	9.49		162.15
14	**Mumbai#**	RCL	5	20-07-2001	19-07-2021	10.88	441.00	959.91
		Tata	5	30-09-1997	29-09-2017	7.08		624.26
15	**North East#**	BSNL	2.5	29-02-2000	28-02-2020	9.49	5.75	5.46
16	**Orissa#**	Tata	2.5	30-01-2004	29-01-2024	13.41	13.18	17.68
		BSNL	2.5	29-02-2000	28-02-2020	9.49		12.51

Sl. No.	Service Area	CDMA Operators	Total Spectrum allocated (in MHz)	Date of License	License valid upto	Period upto which spectrum holding in 800 MHz is valid (calculated w.e.f. 01 September 2010) (in years)	Winning/Reserve price in Mar 2013 auction for 2X1.25 MHz spectrum in 800 MHz band (for 20 years)	Proportionate price for the spectrum holding in 800 MHz of the CDMA operators (providing EVDO services using these spectrum band) for the period from 01 September 2010 to till the validity of license
17	**Punjab#**	RCL	3.75	20-07-2001	19-07-2021	10.88	43.73	71.39
		Tata	3.75	30-01-2004	29-01-2024	13.41		87.97
		BSNL	2.5	29-02-2000	28-02-2020	9.49		41.51
18	**Rajasthan##**	RCL	3.75	20-07-2001	19-07-2021	10.88	43.60	71.18
		Tata	3.75	30-01-2004	29-01-2024	13.41		87.71
		BSNL	2.5	29-02-2000	28-02-2020	9.49		41.38
19	**Tamil Nadu***	RCL	5	26-09-2001	25-09-2021	11.07	198.96	440.36
		Tata	2.5	31-08-2001	30-08-2021	11.00		218.80
		BSNL	2.5	29-02-2000	28-02-2020	9.49		188.85
20	**Uttar Pradesh(East)***	RCL	5	20-07-2001	19-07-2021	10.88	49.51	107.77
		Tata	3.75	30-01-2004	29-01-2024	13.41		99.60
		BSNL	2.5	29-02-2000	28-02-2020	9.49		46.99
21	**Uttar Pradesh(West)#**	RCL	5	20-07-2001	19-07-2021	10.88	69.82	151.97
		Tata	3.75	30-01-2004	29-01-2024	13.41		140.45
		BSNL	2.5	29-02-2000	28-02-2020	9.49		66.27
22	**West Bengal***	Tata	2.5	30-01-2004	29-01-2024	13.41	16.79	22.52
		BSNL	2.5	29-02-2000	28-02-2020	9.49		15.94
			190				**2275.01**	**9626.27**

Note:-

* Wining Price of March 2013 auction

Reserve Price of March 2013 auction as per NIA of Jan 2010

Reserve price has been calculated based on the Cabinet decision that Reserve price of March 2013 auction for 800 MHz would be 50% of Reserve price of Nov 2012 auction

ANNEXURE–IV
(Para 2.5)

Statement showing non-levy of SUC based on the total spectrum allocated for using dual/multiple technology in respect of M/s Tata Teleservices

(₹ in crore)

Sl. No.	Service Area		Spectrum (in MHz) held by operator	AGR 2010-11	AGR 2011-12	AGR 2012-13	AGR 2013-14	SUC CDMA (as per existing norms)		Spectrum (in MHz) held by operator	Date of allocation of spectrum	AGR 2010-11	AGR 2011-12	AGR 2012-13	AGR 2013-14	SUC GSM (as per existing norms)	TOTAL SUC (GSM + CDMA) (as per existing norms)	Total spectrum held by operators (GSM + CDMA) (in MHz)	SUC as per TRAI Recommendation dt 28.8.07	Loss
1	Andhra Pradesh	CDMA (Type of Service)	3.75	528.30	410.03	339.49	264.44	30.85	GSM (Type of Service)	4.4	27.05.08	342.15	412.25	432.26	528.27	34.30	65.14	8.15	130.29	65.14
2	Bihar		3.75	194.83	171.87	38.24		8.10		4.4	03.10.08	94.63	131.42	35.33		5.23	13.33	8.15	26.65	13.33
3	Gujarat		3.75	200.37	155.89	144.95	119.51	12.41		4.4	09.03.09	99.02	202.27	144.96	152.66	11.98	24.39	8.15	48.79	24.39
4	Haryana		3.75	118.67	90.01	54.24	41.53	6.09		4.4	04.12.08	100.21	174.29	209.93	163.51	12.96	19.05	8.15	38.10	19.05
5	Himachal Pradesh		2.5	18.76	18.79	18.55	8.34	1.29		4.4	04.12.08	4.49	2.08	0.22	0.14	0.14	1.43	6.90	2.85	1.43
6	Karnataka		3.75	220.31	224.18	210.82	179.56	16.70		4.4	30.05.08	394.03	523.61	523.15	698.83	42.79	59.49	8.15	118.98	59.49
7	Kerala		3.75	63.74	59.66	14.67	23.80	3.24		4.4	15.05.08	121.12	154.58	31.37	78.68	7.72	10.95	8.15	21.90	10.95
8	Kolkata		3.75	177.42	181.31	170.49	110.64	12.80		4.4	09.01.09	67.24	116.33	155.89	154.06	9.87	22.67	8.15	45.34	22.67
9	Maharashtra		5	390.17	426.91	436.33	323.01	31.53		4.4	14.11.08	261.05	400.32	128.86	408.72	23.98	55.51	9.40	111.01	55.51
10	MP		2.5	90.78	73.78	17.96	12.68	3.90		4.4	28.08.08	205.65	342.19	83.03	338.53	19.39	23.29	6.90	46.58	23.29
11	Mumbai		5	319.16	415.15	222.40	415.90	27.45		4.4	09.09.08	209.87	256.91	176.56	243.01	17.73	45.18	9.40	90.36	45.18
12	Orissa		2.5	61.07	53.10			2.28		4.4	24.04.08	91.32	114.30			4.11	6.40	6.90	12.79	6.40

Sl. No.	Service Area		Spectrum (in MHz) held by operator	AGR 2010-11	AGR 2011-12	AGR 2012-13	AGR 2013-14	SUC CDMA (as per existing norms)		Spectrum (in MHz) held by operator	Date of allocation of spectrum	AGR 2010-11	AGR 2011-12	AGR 2012-13	AGR 2013-14	SUC GSM (as per existing norms)	TOTAL SUC (GSM + CDMA) (as per existing norms)	Total spectrum held by operators (GSM + CDMA) (in MHz)	SUC as per TRAI Recommendation dt 28.8.07	Loss
13	Punjab		3.75	148.54	138.92	134.28	26.81	8.97		4.4	09.03.09	111.79	210.01	165.05	38.52	10.51	19.48	8.15	38.96	19.48
14	Rajasthan		3.75	162.06	131.75	115.97		8.20		4.4	23.12.08	29.83	102.38	198.51		6.61	14.81	8.15	29.62	14.81
15	Tamil Nadu		2.5	172.49	164.05	178.53	128.73	12.88		4.4	22.04.08	209.92	259.08	338.36	385.42	23.86	36.73	6.90	73.46	36.73
16	UP(East)		3.75	107.12	89.50	75.24	34.74	6.13		4.4	21.01.09	97.80	174.42	196.38	123.90	11.85	17.98	8.15	35.96	17.98
17	UP(W)		3.75	181.82	150.14	125.87	79.66	10.75		4.4	26.12.08	77.98	168.02	183.23	144.22	11.47	22.22	8.15	44.44	22.22
18	West Bengal		2.5	61.46	39.10	29.35	9.78	2.79		4.4	09.01.09	52.82	74.04	46.39	38.47	4.23	7.03	6.90	14.06	7.03
Note : Initial spectrum for GSM (under Duel Technology) was not allocated in respect of four service areas (Assam, Delhi, J & K and North East)																			**TOTAL**	**465.07**

Annexure-V
(Para 2.5)

Statement showing non-levy of SUC based on the total spectrum allocated for using dual/multiple technology in respect of M/s Reliance Communications

(₹ in crore)

Sl. No.	Service Area		Spect-rum (in MHz) held by opera-tor	AGR 09-10	AGR 10-11	AGR 11-12	AGR 12-13	AGR 13-14	SUC CDMA (as per exist-ing norms)		Spect-rum (in MHz) held by opera-tor	Date of alloca-tion of spect-rum	AGR 09-10	AGR 10-11	AGR 11-12	AGR 12-13	AGR 13-14	SUC GSM (as per exis-ting norms)	TOTAL SUC (GSM + CDMA) (as per existing norms)	Total spect-rum held by opera-tors (GSM + CDMA) (in MHz)	SUC as per TRAI Recomm-endation dt 28.8.07	Loss
1	Mumbai	CDMA (Type of Service)	5	572.51	507.34	412.92	112.51	438.04	40.87	GSM (Type of Service)	4.4	11.1.08	64.75	82.38	102.51	28.09	188.28	9.32	50.19	9.40	100.37	50.19
2	UP(East)		5	415.25	331.89	266.57	257.69	65.54	26.74		4.4	11.1.08	92.97	149.93	174.14	196.90	46.57	13.21	39.95	9.40	79.90	39.95
3	Rajasthan		3.75	208.33	162.62	128.61	105.05		12.09		4.4	11.1.08	46.92	77.28	75.53	84.05		5.68	17.77	8.15	35.54	17.77
4	Punjab		3.75	87.76	67.18	56.69	57.92	12.97	5.65		4.4	11.1.08	21.73	28.54	12.40	18.86	9.84	1.83	7.48	8.15	14.96	7.48
5	Guajrat		3.75	265.26	241.07	208.77	200.06	175.54	21.81		4.4	11.1.08	54.17	81.39	63.66	75.33	90.18	7.29	29.11	8.15	58.22	29.11
6	Delhi		5	450.20	422.31	331.40	333.58	292.23	36.59		4.4	11.1.08	77.67	87.89	107.49	112.53	256.37	12.84	49.43	9.40	98.87	49.43
7	UP(W)		5	290.65	223.12	193.69	157.65	104.96	19.40		4.4	11.1.08	87.50	141.95	141.12	133.55	91.70	11.92	31.32	9.40	62.64	31.32
8	Tamil Nadu		5	460.93	359.72	368.73	269.27	335.45	35.88		4.4	10.1.08	32.14	56.34	65.08	86.89	213.62	9.08	44.96	9.40	89.93	44.96
9	Karnataka		5	334.77	291.46	272.11	189.02	229.55	26.34		4.4	10.1.08	50.96	74.52	64.77	51.24	104.70	6.92	33.26	9.40	66.52	33.26
10	Kerala		5	270.42	191.69	117.63	36.31	31.59	12.95		4.4	10.1.08	10.13	10.87	14.51	4.05	16.57	1.12	14.08	9.40	28.15	14.08
11	Haryana		3.75	96.59	61.77	54.16	38.56	10.87	5.24		4.4	11.1.08	26.66	42.52	28.11	30.61	25.00	3.06	8.30	8.15	16.59	8.30
12	Andhra Pradesh		5	553.54	445.24	387.83	351.98	314.19	41.06		4.4	10.1.08	36.32	81.72	86.63	115.54	172.43	9.85	50.91	9.40	101.82	50.91
13	J&K		2.5	0.41	0.59	0.23			0.02		4.4	11.1.08	24.12	33.24	36.71	54.10		2.96	2.99	6.90	5.98	2.99
14	Maharashtra		5	365.87	295.30	293.53	74.96	271.04	26.01		4.4	10.1.08	79.61	160.80	114.90	102.19	104.65	11.24	37.26	9.40	74.51	37.26
Note : Initial spectrum for GSM (under Dual Technology) was not allocated in respect of six service areas (MP, HP, West Bengal, Orissa, Kolkata & Bihar)																					**Total**	**416.99**

Annexure-VI
(Para 2.6)
Statement showing the Reserve price payable as per Hon'ble Supreme Court Order

(₹ in crore)

Sl No.	Service Area	Etilsalat DB	Idea	Loop	Sistema Shyam	Spice	S-Tel	Tata Telecom	Unitech	Videocon
1	**Andhra Pradesh**	8.16		16.74	42.72	0.00			91.86	48.70
2	**Assam**		2.58	0.51	1.29		0.04	1.09	1.59	1.47
3	**Bihar**	1.21		2.48	6.33		0.00		13.61	8.12
4	**Delhi**	19.72		0.00	150.33	0.00			0.00	0.00
5	**Gujarat**	6.40		13.12	48.77				71.99	42.93
6	**Haryana**	1.32		2.71	6.93	0.00			8.55	8.88
7	**Himachal Pradesh**			0.45	1.16		0.06		1.43	1.32
8	**Jammu Kashmir**		1.88	0.37	0.94		0.00	0.79	1.16	1.07
9	**Karnataka**	9.39	0.00	19.26	71.61				60.65	56.03
10	**Kerala**	1.86		3.81	14.16				12.00	11.08
11	**Kolkata**		33.83	6.64	24.67				20.89	19.30
12	**Maharashtra**	7.48		15.33	39.13	0.00			84.15	44.61
13	**Madhya Pradesh**	1.54		3.15	8.04				9.92	10.31
14	**Mumbai**	19.30		0.00	101.01				124.64	115.15
15	**North East**		2.63	0.52	1.32		0.10	1.11	1.62	1.50
16	**Orissa**		6.03	1.18	3.02		0.43		3.72	3.44
17	**Punjab**	1.91	0.00	3.93	10.02				12.36	
18	**Rajasthan**	1.91		3.91					12.32	11.39
19	**Tamil Nadu**	8.71	91.07	17.86	66.39				56.23	51.95
20	**Uttar Pradesh (East)**	2.17		4.44	11.34				24.39	14.54
21	**Uttar Pradesh (West)**	3.06		6.27	23.30				34.39	20.51
22	**West Bengal**		7.69	1.51	5.60	0.00			4.75	4.39
	TOTAL	**94.13**	**145.71**	**107.45**	**638.05**	**0.00**	**0.63**	**2.99**	**652.22**	**476.70**
									TOTAL	**2117.88 crore**

Annexure-VII
(Para 2.8)

Statement showing the calculation of additional migration fee factored upto March 2013

(₹ in crore)

	Average PLR of SBI till 2009-10 (as taken by TRAI in their recommendations of May 2010 for calculation of PV)									Base rate of the last quarter of each FY		
	Rate(%)=	11.09								8.25	10	9.7
FY	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
NPV	1658.57	1842.51	2046.84	2273.83	2526.00	2806.14	3117.34	3463.05	3847.10	4164.49	4580.94	5025.29

Migration fee arrived at by audit based on time value as indicated in table above	5,025.29
Fee paid by RJIL towards migration from ISP to UL in 2013	1,658.00
Balance	**3,367.29**

Note: For the period from 2001-02 to 2009-10, the average PLR of SBI had been taken. For the period 2010-11 to 2012-13, the base rate of the public sector banks for the last quarter for each financial year has been taken

Continued..

Calculation Sheet			
FY	Entry fee	Time value added	Time value arrived at by audit
2001-02			1658.57
2002-03	1658.57	183.935413	1842.505413
2003-04	1842.505413	204.333850	2046.839263
2004-05	2046.839263	226.994474	2273.833737
2005-06	2273.833737	252.168161	2526.001898
2006-07	2526.001898	280.133610	2806.135508
2007-08	2806.135508	311.200428	3117.335936
2008-09	3117.335936	345.712555	3463.048491
2009-10	3463.048491	384.052078	3847.100569
2010-11	3847.100569	317.385797	4164.486366
2011-12	4164.486366	416.448637	4580.935003
2012-13	4580.935003	444.350695	5025.285698
		say Rs 5,025.29 crore	

Annexure-VIII
(Para 3.2)

Statement showing the Assurances given by DoP in the ATN submitted during July-2008 for the C&AG Report No.1 of 2006 which are not fully realised

Para no and Title in Report no.1 of 2006	Assurance given by DoP	Present status as seen in Audit
2.9.2 Non formulation of business continuity and disaster recovery plan	DoP assured that backups would be taken regularly and stored off site also	Instructions for preservation of periodical backups were not followed in eight POs of five circles of the selected 43 POs (Para No. 3.2.1.1(i))
2.7.1 Inadequate validation controls in the data entry module	DoP assured that before making a module online the data entered is normally validated. Only in case of exigency data entry module is used to make corrections.	In some post offices data entry module was being utilized for day to day work, i.e for account opening, deposit/withdrawal and transfer of account, etc. (Para No.3.2.1.1(iii))
2.7.2.10 Withdrawals in excess of available credit in SB Account (Minus balances)	DoP stated that this type of transaction is not allowed in online module and it is done through data entry module and only in cases of exigency this module is used to make correction.	In the selected sample, 213 SB accounts were seen with minus balances totalling ₹ 6.10 lakh. (Para No.3.2.1.2(i))
2.7.2.1 Irregular opening of SB Accounts (Duplicate accounts)	DoP stated that a search string has been provided in Version 5.0 using which PA can accept or reject the opening of account	In nine HOs/SOs 31 depositors opened more than one SB Account in the same post office(Para No.3.2.1.3(i))
2.7.2.6 Acceptance of deposits in excess of the prescribed limits in SB Accounts	DoP assured that the check for maximum limit of balance is available in online module. Even in the DE module a warning message is displayed if the balance exceeds the limit.	In 10 HOs/SOs interest of ₹ 1,20,721 was allowed more than the prescribed maximum ceiling amount of ₹ 3,500 and ₹ 7,000 respectively in 39 numbers of SB accounts. (Para No.3.2.1.1(iii))
2.7.2.9 Deposits beyond the prescribed limit for single and joint MIS accounts	DoP assured that a name based search capability is provided in Version 5.0 which lists all the accounts having the similar name along with the deposit amount.	In 17 HOs/SOs depositors made excess deposits amounting to ₹ 3.29 crore which resulted in excess payment of interest of ₹ 26.63 lakh in 105 number of cases. (Para No.3.2.1.3(iii))

Annexure-IX
(Para 3.2.1.1)

Statement showing different kinds of frauds by misusing software in various Postal Circles in DoP

(Amount in ₹)

Sl No.	Circle	Post Office	Modus operandi	Value of fraud	Period of fraud
1	Andhra Pradesh	Begumpet-SO	Sri V.Balaji Babu, the then SBPA accepted deposits and generated list of Transactions without taking some deposit transactions into account. After sending the LOT to HO, the PA made the deposit entries in the accounts in which he committed frauds in the System through Data Entry Option. He also entered the transactions with BAT (Balance After Transaction) and impressed PO date stamp in the pass book.	30,60,600	20.04.2007 to 19.09.2011
2	Andhra Pradesh	Proddatur-HO	Fraud committed by manipulating Data entry	36,52,531 (past work verification not completed)	June 2011
3	Delhi	Ramesh Nagar-HO	SB account No.4339045 in the name of Shri Arnish Kumar, System Manager balance was increased from ₹ 68,890.75 to ₹ 6,88,900.75. Data Entry module was not used to increase the balance. MS SQL Enterprise Manager, Query Analyser or Management Studio used to increase the balance	More than 2,00,000	19.11.2012
4	Gujarat	Chemical Industries Vadodara LSG-SO	Fraud was committed by using the Data entry and online module wherein pass words of the operator(PA), Supervisor(SPM) and perhaps also the SQL pass word have been reportedly mis-utilised.	7.50 crore (past work verification not completed)	3/2010 to 7/2010
5	Karnataka	Hassan-HO	Original online withdrawal transaction was modified through Data Entry Module and new balance was struck in the ledger	1,10,000	31.10.2009 to 12.04.2004
6	Kerala	Kaloor-SO	Counter clerk subsequently enter the deposits entries of unaccounted schedules fraudulently in the respective RD ledger folio in the system provided to her through Data entry (DATA SUPER)option in her own ID. The data entry option and	41,78,908	13.07.2006 to 22.05.2011

Sl No.	Circle	Post Office	Modus operandi	Value of fraud	Period of fraud
			the supervisor password was made available to the computer installed at RD counter facilitated to commit the fraud easily.		
7	Haryana	Model Town Post office, Ambala City	By misusing the Data entry the PA converted denomination of RD accounts by suffixing '0' or prefixing '1', '2','3','4' or '5'. After deleting discontinued RD accounts, re-opened the same showing up to date deposits in ledger by using Data Entry.	2 crore	10.12.2004 to 26.05.2011
8	Tamil Nadu	Tirupur-SO Chengalpattu Division	Fraud of ₹ 5,00,000/- in TD accounts at Tiruporarur-SO The official could have deleted the fraudulently closed account in Sanchay Post Software using the online module by logging in as 'SUPER'>>Common>>Delete Account Number and then re-opened the account afresh through Data entry Module.	5,00,000	
9	Tamil Nadu	Pallavaram-SO	Bulk lists (46 accounts) have been deleted from the LOT after generating the LOT through DE Super password.	25,850	17.09.2012
10	Tamil Nadu	Atur-HO	Non-availability of database for SCSS account No.110015	Database deleted and completed, hence could not be quantified	20.11.2010
11	Tamil Nadu	Royapettah-SO	Opening of fake TD account to the tune of ₹ 3.50 lakhs by misusing the software	3,50,000	03.08.2011
12	Tamil Nadu	Valapady-SO	After taking printout of LOT for the day she managed to login as 'DATAENT SUPER' in the data entry package with her own password and made deposit entry in the particular entry in RD in which the deposits were accepted and not accounted for, so as to show the transactions as accounted at the time of acceptance itself. The deposit which were added by her did not figure in the LOT of the day but the datas were available in the ledger folio.	3,06,700	30.6.2009 to 5.5.2010

Annexure-X
[Para 3.2.1.3 (ii)]

Statement showing Irregular payment of interest on PPF accounts

(figures in ₹)

Sl. No	Name of Post Office	Interest credited upto the year	Irregular interest paid on					
			On deposits beyond prescribed limit	On multiple accounts	On maturity without proper extension	deposits made after maturity in HUF accounts	deposits made in the name of artificial/ juridical persons	Total
Rajasthan Postal Circle								
1	HPO Kota	2012-13				817236		817236
2	HPO Jhalwar	2011-12				152410		152410
3	HPO Nasirabad	2012-13				163362		163362
4	HPO Behror	2012-13			269847			269847
5	HPO Shahpura	2012-13			387391			387391
6	HPO Bhilwara	2012-13			614955			614955
7	NGM Kota	2011-12					4914701	4914701
Punjab Postal Circle								
8	HPO Moga	2011-12				1275497		1275497
9	HPO Bathinda	2011-12				654651		654651
Haryana Postal Circle								
10	GPO AMbala	2011-12				1564324		1564324
11	HPO Gurgaon	2011-12				810361		810361
Tamilnadu Postal Circle								
12	HPO Kumbakonam	2011-12		13825				13825
13	HPO Trichy	2011-12	906	137134				138040
14	HPO Mannargudi	2011-12		451611				451611
15	HPO Salem	2011-12	414695					414695
16	HPO Anna Road	2012-13		1511317		195344		1706661
17	GPO Chennai	2012-13				49623		49623
18	HPO Madurai	2012-13				426991		426991

Sl. No	Name of Post Office	Interest credited upto the year	Irregular interest paid on					
			On deposits beyond prescribed limit	On multiple accounts	On maturity without proper extension	deposits made after maturity in HUF accounts	deposits made in the name of artificial/ juridical persons	Total
19	HPO Tiruvannamalai	2012-13				19847		19847
20	HPO Sivakasi	2012-13				218954		218954
21	HPO St.Thomas Mount	2012-13	35035					35035
West Bengal Postal Circle								
22	HPO Beleghata	2011-12	433779		695425			1129204
23	HPO Tollygunge	2010-11	426111					426111
24	HPO Cossipore	2010-11	29154					29154
25	HPO Howrah	2010-11	426910					426910
26	HPO Alipor	2011-12	1028270			16595		1044865
27	HPO Barackpore	2010-11	646601					646601
28	HPO Malda	2010-11	777765					777765
29	HPO Park Street	2011-12	960366		577042	936638		2474046
30	HPO Raniganj	2011-12		207501		153577		361078
31	HPO Salkia	2011-12				200234		200234
32	HPO Durgapur	2011-12		325618	140493			466111
33	HPO Midnapore	2011-12			4242684			4242684
34	HPO DGP Steel Plant	2011-12		2290834				2290834
35	HPO Nabadwip	2011-12		221053				221053
Assam Postal Circle								
36	HPO Dhubri	2010-11	2246434					2246434
North East Postal Circle								
37	GPO Shillong	2010-11	1254128					1254128
Maharashtra Postal Circle								
38	MDG Girgaon	2012-13				1072349		1072349

Sl. No	Name of Post Office	Interest credited upto the year	Irregular interest paid on					
			On deposits beyond prescribed limit	On multiple accounts	On maturity without proper extension	deposits made after maturity in HUF accounts	deposits made in the name of artificial/ juridical persons	Total
39	HPO Mahim	2012-13	1332231					1332231
40	GPO Mumbai	2012-13	1982250					1982250
Gujarat Postal Circle								
41	HPO Valsad	2011-12			872440			872440
42	HPO Bhavnagar	2012-13	419151		315360			734511
43	HPO Navsari	2012-13		936800	806160			1742960
44	HPO Porbandar	2012-13			153120			153120
45	GPO Ahmedabad	2012-13		129583				129583
46	Ambavadivistar	2012-13		211738				211738
47	HPO Blimora	2012-13		900318				900318
48	HPO Fatehganj Vadodara	2012-13		91185				91185
49	HPO Nadiad	2012-13		2180064				2180064
50	Naranpuravistar	2012-13		367682				367682
51	HPO Navrangpura	2012-13	865790	2085522				2951312
52	HPO Revdibazar	2012-13	2727435					2727435
53	SO Texttile Market, Surat	2012-13		127471				127471
54	HPO Surendra Nagar	2012-13		444690				444690
55	HPO Vadodara	2012-13	1248434					1248434
56	MDG Vapi	2012-13	112079					112079
57	HPO Patan	2010-11			290240			290240
58	HPO Nanpura Surat			170282				170282
Andhra Pradesh Postal Circle								
59	HPO Kadapa	2012-13		29965				29965
60	HPO Kurnool	2012-13		166436				166436

Sl. No	Name of Post Office	Interest credited upto the year	Irregular interest paid on					
			On deposits beyond prescribed limit	On multiple accounts	On maturity without proper extension	deposits made after maturity in HUF accounts	deposits made in the name of artificial/ juridical persons	Total
Bihar Postal Circle								
61	HPO Sasaram	2011-12	527251	528623				1055874
Delhi Postal Circle								
62	HPO Ramesh Nagar	2012-13	8330					8330
63	SO Tagore Gardens	2012-13	15147					15147
Kerala Postal Circle								
64	SO Edapalli	2012-13		3990				3990
65	HPO Ernakulam	2012-13	255320	1632154				1887474
66	SPO Punkunnu	2012-13		36347				36347
67	HPO Thrissur	2012-13		785598				785598
	Total		**18173572**	**15987341**	**9365157**	**8727993**	**4914701**	**57168764**

say, ₹ 5.72 crore

Annexure-XI
(Para 3.3)

Statement showing the details of remuneration claimed on MSY Accounts

(₹ in crore)

Name of Circle	Year	Rate of remuneration per SB account per year	Number of MSY accounts treated as live account	Irregular amount of remuneration claimed
Madhya Pradesh	2011-12	151.76	1108431	16.82
	2012-13	163.22	1108431	18.09
Karnataka	2011-12	151.76	12197	0.19
Andhra Pradesh	2011-12	151.76	44248	0.67
	2012-13	163.22	56952	0.93
Rajasthan	2011-12	151.76	208532	3.16
	2012-13	163.22	205357	3.35
Tamilnadu	2011-12	151.76	448909	6.81
	2012-13	163.22	88137	1.44
	2013-14	175.46	17668	0.31
Maharashtra	2011-12	151.76	71336	1.08
	2012-13	163.22	57517	0.94
	2013-14	175.46	53230	0.93
Gujarat	2011-12	151.76	101322	1.54
	2012-13	163.22	83824	1.37
	2013-14	175.46	51395	0.90
Punjab	2011-12	151.76	161790	2.46
	2012-13	163.22	140635	2.29
	2013-14	175.46	34279	0.60
			Total	**63.88**

Annexure-XII
(Para 3.4)

Statement Showing details of claims not raised by the DAP, Kolkata for pension payments to other departments

(Amount in ₹)

Sl. No.	Name of Head Post Office/Post Office	Period	Railway	Telecom	EPF	Total
1	Belgharia	Jan 2012 to Dec 2012	913694.00	0.00	0.00	913694.00
2	Barracpore,	Nov 2006 to March 2010	13596947.00	38131.00	77577.00	13712655.00
3	Burdwan	Sept 2008 to Nov 2012	31493285.00	21038057.00	289278.00	52820620.00
4	Tallygunge	June 2007 to August 2009	729580.00	0.00	0.00	729580.00
5	Baruipur	June 2006 to Feb 2010	14709630.00	38213.00	283352.00	15031195.00
6	Port Blair	April 2011 to May 2011	0.00	10150.00	0.00	10150.00
7	Cossipore	Dec 2001 & July 2012	149335.00	0.00	0.00	149335.00
8	Barrabazar	Nov 2012 to Dec 2012	612420..00	1412541.00	0.00	2024961.00
9	Beleghata	Jan 2008 to April 2010	390372.00	0.00	0.00	390372.00
10	Basirhat	Aug 2011 to Oct 2011	6883704.00	0.00	0.00	6883704.00
11	Darjeeling	2007-2008 to 2011-12	439284.00	1801.00	0.00	441085.00
12	Mal	Jul-12	297581.00	0.00	0.00	297581.00
13	Malda	Aug 2004 to Sept 2004	126062.00	0.00	0.00	126062.00
14	Jalpaiguri	Jan 02 to Mar 2010	240035.00	10255.00	0.00	250290.00

Sl. No.	Name of Head Post Office/Post Office	Period	Railway	Telecom	EPF	Total
15	Salkia	Oct 2008 & Jan 2009	38721.00	0.00	1306.00	40027.00
16	Srirampur	July 1998 to Aug 2008	619668.00	0.00	9748.00	629416.00
17	Howrah	Jan 1995 to Sept 2008	1625549.00	0.00	661375.00	2286924.00
18	Chinsura	April 2006 to Aug 2009	5660677.00	0.00	33666.00	5694343.00
19	Asansol	Aug 1989 to March 2010	3122996.00	0.00	0.00	3122996.00
20	Tamluk	July 1991 to April 2010	14239423.00	779626.00	2193.00	15021242.00
21	Suri	May 2003 to Nov 2008	4512796.00	2321966.00	0.00	6834762.00
22	Katwa,	Aug 2006 to July 2012	2819024.00	0.00	0.00	2819024.00
		Total	**103220783.00**	**25650740.00**	**1358495.00**	**130230018.00**

say, ₹ 13.02 crore

Annexure-XIII
(Para 3.5)

Statement showing details of non-availing of discount on telephone/broadband services bills

(Amount in lakh)

Sl No.	Name of Circle	Name of Postal Region/Division	Period	Amount of Discount not availed		
				Telephone services	Broadband services	Total
1	Tamil Nadu	Southern	April 2009 to March 2013	19.70	2.70	22.40
		Western		11.98	0.00	11.98
		Central		10.20	0.10	10.30
2	Andhra Pradesh	Hyderabad and Hyderabad City	May 2008 to February2014	15.59	1.76	17.34
3	Rajasthan	Jaipur	October 2008 to December 2012	14.92	0.00	14.92
4	Punjab	Jalandhar	October 2008 to March 2014	0.00	7.04	7.04
		Patiala	February 2011 to April 2014	0.00	2.44	2.44
5	Haryana	Ambala	January 2010 to October 2013	1.35	1.21	2.56
6	Jammu and Kashmir	Jammu	April 2011 to March 2014	0.00	2.40	2.40
Total				**73.72**	**17.65**	**91.37**

Annexure-XIV
(Para 3.6)

Statement showing retention of excess cash balance in Post Offices

Sl No.	Name of Circle	Name of Post Office	Prescribed maximum limit for retention of cash balance (₹in Lakh)	Period for which excess retention of cash has been commented	No. of days on which cash was retained in excess of prescribed limit		Range of excess retention over prescribed balance (₹in Lakh)		Range of percentage of retention of cash in excess of limit	
							Min	Max	Min	Max
					2011-12	2012-13				
1	Karnataka	Bangaluru	40.00	April 2011 to March 2013	260	224	0.05	123.75	0.13	309.38
2		Basavanagudi	28.00		160	125	0.07	70.13	0.25	250.46
3		R. T. Nagar	15.00		244	225	0.03	55.81	0.20	372.07
4		H.A.L.	15.00		107	95	0.08	45.53	0.53	303.53
5		JNR	15.00		91	94	0.03	32.75	0.20	218.33
6		RNGR	32.00		103	92	0.03	66.36	0.09	207.38
7		Jalahalli	7.50		245	92	0.09	26.71	1.20	356.13
8	Maharashtra	GPO Nagpur	90.00	Sept 2011 to March 2013	129	279	0.21	564.71	0.23	627.46
9		GPO Mumbai	54.00	April 2011 to March 2013	290	293	0.04	397.87	0.07	736.80
10	Punjab	GPO Ludhiana	30.00	April 2011 to March 2013	248	264	0.01	189.71	0.03	632.37
11		GPO Jalandhar	40.00		129	173	0.12	140.07	0.30	350.18
12	Jammu and Kashmir	GPO Jammu	54.00		116	191	0.02	64.48	0.04	119.41
13	Haryana	GPO Ambala Cantt	65.00		299	297	38.31	292.45	58.94	449.92
14	Himachal Pradesh	GPO Shimla	40.00		112	46	0.13	53.69	0.33	134.23
15	Bihar	Jehanabad	10.00		282	281	0.5	141.32	5.00	1413.20
16		Gopalganj	20.00		150	161	2.05	123.53	10.25	617.65

Sl No.	Name of Circle	Name of Post Office	Prescribed maximum limit for retention of cash balance (₹in Lakh)	Period for which excess retention of cash has been commented	No. of days on which cash was retained in excess of prescribed limit		Range of excess retention over prescribed balance (₹in Lakh)		Range of percentage of retention of cash in excess of limit	
					2011-12	2012-13	Min	Max	Min	Max
17	Uttar Pradesh	GPO Lucknow	90.00	Jan-14	22*		12.88	189.5	14.31	210.56
18		Chowk Lucknow	25.00	Mar-14	24*		48.26	199.4	193.04	797.60
19		Faizabad	20.00	Jan-14	16*		1.26	26.4	6.30	132.00
20		Jhansi	75.00	Feb-14	14*		1.49	71.79	1.99	95.72
21	Tamilnadu	GPO Chennai	53.00	Jan 2012 to March 2013	58	119	0.04	163.8	0.08	309.06
22		Virudhachalam	15.00	Jan 2012 to March 2013	63	225	0.02	60.02	0.13	400.16
23		Periakulam	4.50	April 2011 to March 2013	271	198	0.01	23.35	0.33	518.85
24		Kallakurichi	30.00		174	225	0.01	101.94	0.03	339.80
25		Tirupattur	22.50		143	181	0.03	40.32	0.13	179.20

*** For one month in 2013-14**

Annexure-XV
[Para 4.1.3.1(i)]

Statement showing delay in Implementation of SWAN

(₹ in crore)

Sl. No.	Name of State	Project Sanction Date	Scheduled timeline for completion	Date of Commissioning	Delay (in months)
1	Andhra Pradesh	26-06-08	Sep'09	Dec 10	15
2	Assam	29-03-05	Jun' 06	Jun 10	48
3	Chhattisgarh	23-12-05	Mar' 07	Feb 10	35
4	Gujarat	31-03-05	Jun' 06	Dec 09	42
5	Haryana	30-09-05	Dec' 06	Aug 07	08
6	Himachal Pradesh	30-09-05	Dec' 06	Feb 08	14
7	Karnataka	31-03-05	Jun'06	Dec 09	42
8	Kerala	31-03-05	Jun' 06	Jan 10	43
9	Rajasthan	30-09-05	Dec' 06	Feb13	74
10	Tamil Nadu	31-03-05	Jun' 06	Dec 07	18

Annexure-XVI
[Para 4.1.3.1(iii)]

Statement showing the detail of ACA released to States without sanction of EC and pending UC Status as on March 2013

Sl. No.	Name of State	Sanctioned by EC					Amount of State Share (ACA) released for												Utilisation Certificate			Remarks	
							Site preparation			Bandwidth													
		Total project cost	DIT share	State Share	Actual contract cost	Actual DIT Share	2005-06	2008-09	Sub-Total	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Sub-Total	Total ACA		Site prep-aration sub total	Band width	Total		
1	Assam	72.50	72.50	-	57.72	57.72	9.15	3.83	12.98	3.54		4.00	2.45		1.65	**11.64**	**24.62**		12.98	9.99	22.97		Sanctioned in the first EC meeting held in 28.03.2005
2	Gujarat	91.52	91.52	-	66.12	66.12	10.26		10.26	7.38	4.35	6.00	3.68	0.00	1.86	**23.26**	**33.53**		37.97		37.97	*	Sanctioned in the first EC meeting held in 28.03.2005
3	Karnataka	95.34	95.34	-	126.64	50.85	5.87		5.87	2.20		6.00	0.00	0.00	3.84	**12.04**	**17.91**		7.43	11.49	18.92	*	Sanctioned in the first EC meeting held in 28.03.2005
4	Kerala	78.70	78.70	-	63.00	45.80	6.09		6.09	2.10	11.44		4.96	0.00	0.86	**19.36**	**25.44**		6.09	19.36	25.45		Sanctioned in the first EC meeting held in 28.03.2005
5	Punjab	62.23	62.23	-	41.46	41.46	9.07		9.07	1.89			2.45	0.00	2.91	**7.25**	**16.32**		9.07	7.25	16.32		Sanctioned in the first EC meeting held in 28.03.2005

Sl. No.	Name of State	Sanctioned by EC					Amount of State Share (ACA) released for												Utilisation Certificate			Remarks	
		Total project cost	DIT share	State Share	Actual contract cost	Actual DIT Share	Site preparation			Bandwidth							Total ACA		Site prep-aration sub total	Band width	Total		
							2005-06	2008-09	Sub-Total	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Sub-Total							
6	Tripura	20.04	20.04	-		21.78	2.94		2.94	1.47		1.50	0.92	0.00	0.79	**4.68**	**7.62**		2.94	4.68	7.62		Sanctioned in the first EC meeting held in 28.03.2005 and revised in the 10th EC meeting held in 15.06.2011
7	Uttar Pradesh	168.72	168.72	-	261.52	261.52	29.66		29.66		18.92	11.26	6.90	0.00	0.00	**37.08**	**66.73**		29.66	37.08	66.74		Sanctioned in the first EC meeting held in 28.03.2005 and revised in the 10th EC meeting held in 15.06.2011
8	West Bengal	66.93	57.32	-	53.79	57.32	13.20		13.20	3.98	1.89	4.50	2.45	0.00	0.45	**13.27**	**26.47**		16.36	8.78	25.14	*	Sanctioned in the first EC meeting held in 28.03.2005
	Total	**655.98**	**646.37**	**0.00**	**670.25**	**602.57**	**86.22**	**3.83**	**90.05**	**22.57**	**36.59**	**33.26**	**23.81**	**0.00**	**12.36**	**128.59**	**218.64**		**122.50**		**221.13**		

* includes interest component

Annexure XVII
(Para 5.2)

Statement showing details of OAN Projects not commissioned as of March 2013

Sl No.	Name of circle/Region	Name of route/project	Project/Detailed Estimate No	Estimated cost(₹in crore)	Actual cost (₹in crore)	Scheduled date of commissioning	Period of delay(in month)
1	ETP Kolkata	OAN Jalpaiguri	G/TPL/E-OAN-44	4.68	3.70	31-Aug-08	55
2	ETP Kolkata	OAN at Siliguri	WBTC/TPL/PE/SLG-001/2005-06	7.14	7.15	31-Aug-08	55
3	ETP Kolkata	OAN at Krishnanagar	WBTC/TPL/PE/KSH-014/2005-06	2.92	2.27	19-Aug-08	55
4	ETP,BSB	Balasore	G/TPL/E-OAN-49	4.04	2.35	06-May-11	22
5	ETP,BSB	Puri	G/TPL/E-OAN-51	2.35	0.80	28-Feb-09	49
6	ETP,BSB	Keonjhar	G/TPL/E-OAN-1	1.08	0.74	26-Jun-07	69
7	ETP,BSB	Dhenkenal	G/TPL/E-OAN-50	5.24	0.11	18-Apr-09	47
8	ETP,BSB	Jharsuguda	G/TPL/E-OAN-56	2.29	1.12	17-Sep-10	30
9	NETF Guwahati	OAN Phase IV A	5077/D(b)/08-09	2.88	1.98	31-Oct-09	41
10	STP Salem	Construction in Namakkal	42275 D(a)	0.94	0.33	31-Mar-11	24
11	STP Salem	Mettupalayam	41645 D(a)	1.77	0.45	25-Mar-10	36
12	STP Salem	Thanjavur	41180 D(a)	4.04	0.45	31-Mar-07	72
13	STP Ernakulam	96 F at Adimalay	44301 D(a)	2.37	0.13	22-Dec-09	39
14	STP Ernakulam	Alathur	44368D(a)	0.81	0.18	26-Dec-10	27
15	STP Ernakulam	Aleeppey	43035D(a)	2.16	0.30	06-Sep-06	78
16	STP Ernakulam	OF cable in around Calicut	43051D(a)	1.76	0.09	30-Nov-06	76

Sl No.	Name of circle/Region	Name of route/project	Project/Detailed Estimate No	Estimated cost(₹in crore)	Actual cost (₹in crore)	Scheduled date of commissioning	Period of delay(in month)
17	STP Ernakulam	OF cable at Kalpeta	44416 D(a)	1.79	0.11	Not Available	Not Available
18	STP Ernakulam	48F and 96F for Chittur	44338 D(a)	2.13	0.61	22-Jul-09	44
19	STP Ernakulam	OF cable for Cherthala	44360 D(a)	2.19	0.49	12-Apr-10	35
20	STP Ernakulam	Kanhanged	44549 D(a)	2.46	0.34	31-Oct-10	29
21	STP Ernakulam	OF cable for Kanjikode	44370 D(a)	0.76	0.41	04-Jan-10	38
22	STP Ernakulam	Kanjivapally	44486 D(a)	2.45	0.35	10-Mar-10	36
23	STP Ernakulam	96F cable for Kayamkulam	44347 D(a)	0.69	0.45	31-Mar-11	24
24	STP Ernakulam	Kottayam	43080 D(a)	1.61	0.04	05-Dec-06	75
25	STP Ernakulam	Malappuram	43062 D(a)	2.35	1.54	31-Mar-06	84
26	STP Ernakulam	Palai	43081 D(a)	1.53	0.42	13-Apr-10	35
27	STP Ernakulam	Trivandrum	43021 D(a)	2.76	0.28	31-Mar-05	96
28	STP Ernakulam	F Cable for Vadakkencherry	44372 D(a)	2.02	0.59	25-Apr-10	35
29	STP Ernakulam	OF cable of South west zone of Trissur	44043 D(a)	2.32	0.27	13-Mar-06	84
30	STP Hyderabad	OFC Route for Secunderabad - ameerpet-DGM HD	509375	0.30	0.05	Not Available	Not Available
31	STP Hyderabad	CDR Billijng works 24F OFC Scheme in Hyderabad-Saifabad-jubli	1108314	0.74	0.33	Not Available	Not Available
	Total				**28.41**		

Annexure-XVIII
(Para 5.2)

Statement showing details of OAN projects commissioned but not handed over as of March 2013

Sl No	Name of circle	Name of route/project	Estimate No	Estimated cost (₹ in crore)	Actual cost (₹ in crore)	Date of commissioning	Period of delay (in month)
1	WTP Panji	Margao T.E. to Colva T.E.(Part of Margaon OAN Ring3)	0059E	5.51	0.64	17-Jan-13	2
2	WTP Ahmedabad	College Road Exch-Gandhi Baug backside T-Joint no.3 via Munninagar (OAN Mahuva)	W-1942/07-08/4 dtd.02-11-07	1.58	0.8	30-Sep-09	42
3	WTP Ahmedabad	Vastral DLC to T-Jt (OAN Ahmedabad)	AT/TP/370/08-09/OAN /CABLE-II/13 (Ahmedabad)	0.19	0.14	30-Apr-10	35
4	WTP Ahmedabad	MadhaparExch-RaiyaExch (Rajkot OAN)	TP/GJ/AM/288/96F/OAN Rajkot (Part-II)/09-10/5 Dt. 25.03.10	1.90	0.84	23-Feb-11	25
5	WTP Ahmedabad	Bhopal GodownExch-T Jt (OAN Ahmedabad)	AT/TP/370/08-09/OAN/CABLE-II/12 (Ahmedabad West)	0.09	0.03	16-Feb-10	37
6	WTP Ahmedabad	Bhuj GIDC Exch to T-JtDesalpar (OAN Bhuj)	P/E W-2258/05-06/7 Dt. 22-12-2005	0.64	0.42	29-Mar-10	36
7	WTP Ahmedabad	Makarpura-PanigateExch via Somatalavdi (OAN Baroda)	PLG/TP/OAN/09-10/82	1.42	1.2	30-Nov-10	28

Sl No	Name of circle	Name of route/project	Estimate No	Estimated cost (₹ in crore)	Actual cost (₹ in crore)	Date of commissioning	Period of delay (in month)
8	WTP Ahmedabad	Radhe BTS T Jt (OAN Ahmedabad)	AT/TP/370/08-09/OAN/CABLE-II/13 (Ahmedabad East)	0.01	0.01	31-Jul-10	32
9	NTP,Lucknow	OAN Work for Phase IIIrd at Jhansi City	4391 D(a) OAN/2005	5.80	0.34	31-Aug-10	31
10	NTP,Lucknow	OAN work for Sultanpur City	4392 D(a) OAN/07-08	3.95	2.04	31-Mar-10	36
11	NTP,Lucknow	OFC OAN Raibareilly	4396 D(a)OAN/08-09	2.34	0.52	19-Nov-09	40
12	NTP,Lucknow	OAN Raibareilly	4397 D(a)OAN/08-09	2.67	0.99	18-Nov-09	40
13	NETF Guwahati	OAN PHASE III A	5067/D(b)/08-10	2.79	2.51	31-Mar-12	12
14	STP,Salem	Thiruchengode	41915 D(a)	1.99	0.77	19-Feb-12	13
15	STP,Salem	Ooty	41450 D(a)	1.38	0.93	05-Dec-12	3
16	STP,Salem	Palladam	42055D(a)	2.55	2.05	03-Aug-12	7
17	STP,Ernakulam	OF cable for Pattambi	44371 D(a)	0.77	0.45	30-Mar-13	0
18	STP,Ernakulam	96F cable for Mananthavady	44415 D(a)	1.47	0.8	30-Dec-11	15
19	STP,Ernakulam	96F cable a Mavalikkara	44348 D(a)	1.67	1.57	31-Jan-13	2
20	STP,Ernakulam	OF cable at Payyannur	44374 D(a)	2.13	1	31-Mar-13	0
21	STP,Madurai	PLB Pipe & OF cable for the zone II region of Madurai South	50064 D(a)	4.40	5.05	31-Mar-12	12
22	STP,Vijayawada	Srikakulam	30607906	2.96	1.75	30-Mar-13	0
	Total				**24.86**		

Annexure-XIX
(Para 5.4)

Statement Showing details of DG Sets procured and lying idle in four circles of BSNL

Sl. No.	Name of the Circle	Expansion Phase	P.O. No. & Date	DG Set Capacity	Rate per Unit (₹)	Quantity received between		Quantity received	Balance lying idle as on 31.3.2014	Value of idle stock (₹)
						From	To			
1)	Gujarat	IV+	CMTS/PLG/GUJ/INDG/0.5 lakh/PO/05-06/14 dated 5/7/2005	7.5 KVA	99421.04	10.1.2008	1.1.2009	118	30	2982631.20
		IV++	IMPCS/PLG/SER/Phase IV++/2006-07/13 dated 4/8/2006	15 KVA	169278.40	10.1.2008	1.1.2009	230	230	38934032.00
2)	Andhra Pradesh	V.1	TA/IMPCS/PH5.1/PO/ Amendment/2008-09/5 dated 6/1/2009	15 KVA	169161.71	22.12.2010 (Tirupati)		18	8	1353293.68
				15 KVA	169161.71	26.11.2011 (Rajamundhri)		8	8	1353293.68
3)	Rajasthan	V.1	CMTS/10-590/PO/Phase V.1 PO/Ericsson/07-08/13 dated 10/1/2008	10 KVA	92555.64	2008-09		67	28	2591557.92
	Total							**441**	**304**	**47214808.48 say ₹ 4.72 crore**

Annexure-XX
(Para 5.5)

Statement showing details of periodic penalty levied by DoT & paid by BSNL Telecom Circles for non-compliant (rejected) CAFs during 2009-10 to 2012-13

Sl No.	Name of Telecom. Circle	Period for which penalty levied		No. of CAFs rejected as non-compliant by respective TERM Cells	Amount of penalty paid by respective BSNL Telecom Circles(₹)
		From	To		
1	Gujarat	Apr-09	Mar-10	1236	2060000
		Apr-10	Mar-11	1729	2033000
		Apr-11	Nov-12	4438	12241000
		Dec-12	Mar-13	729	1396000
		Total:-		**8132**	**17730000**
2	Rajasthan	2009-10		4889	98125000
		2010-11		3908	18047000
		2011-12		1991	1991000
		2012-13		2062	2178000
		Total:-		**12850**	**120341000**
3	M.P./ Chattisgarh	2009-10		3129	24190000
		2010-11		3360	24944000
		2011-12		1046	1902000
		Total:-		**7535**	**51036000**
4	Karnataka	Apr-09	Mar-10	1619	5039000
		Apr-10	Mar-11	5164	20195839
		Apr-11	Mar-12	5632	14171062
		Apr-12	Mar-13	5794	16119000
		Total:-		**18209**	**55524901**
5	Kerala	2009-10		593	593000
		2010-11		655	655000
		2011-12		786	786000
		2012-13		347	347000
		Total:-		**2381**	**2381000**
6	West-Bengal	Jan-10	Aug-10	176	176000
		Sep-10	Dec-10	294	322000
		Jan-11	Oct-11	1041	1057000
		Nov-11	Mar-12	130	130000
		Apr-12	Sep-12	101	101000
		Oct-12	Nov-12	71	71000
		Dec-12	Jan-13	205	228000
		Total:-		**2018**	**2085000**

Sl No.	Name of Telecom. Circle	Period for which penalty levied		No. of CAFs rejected as non-compliant by respective TERM Cells	Amount of penalty paid by respective BSNL Telecom Circles(₹)
		From	To		
7	**Assam**	2009-10		755	4212000
		2010-11		3021	70477000
		Total:-		**3776**	**74689000**
8	**Haryana**	2009-10		845	1265000
		2010-11		1277	1277000
		2011-12		1386	1386000
		2012-13		880	832000
		Total:-		**4388**	**4760000**
Grand Total:-				**59289**	**328546901 say ₹ 32.85 crore**

Annexure-XXI
(Para 5.5)

Statement showing non-recovery of penalty paid by BSNL from defaulters on non-compliance of DoT guidelines for Customer Application Forms (CAFs) at points of sale during the period from 2009-10 to 2012-13

Sl No.	Circle	Total CAFs rejected	Total Penalty levied by TERM Cell (₹)	Total penalty paid by respective BSNL Telecom Circles (₹)	Total Amount recovered from defaulters (₹)	Balance amount yet to be recovered by BSNL (₹)
1	Gujarat	8132	17730000	17730000	313000	17417000
2	Rajasthan	12850	120341000	120341000	0	120341000
3	Madhya Pradesh*	2793	51036000	51036000	476000	50560000
4	Chhattisgarh*	4742				
4	Karnataka	18209	55524901	55524901	0	55524901
5	Kerala	2381	2381000	2381000	78000	2303000
6	West Bengal	2018	2085000	2085000	0	2085000
7	Assam	3776	76776000	74689000	0	74689000
8	Haryana	4388	4808000	4760000	1406500	3353500
	Total:-	**59289**	**330681901**	**328546901**	**2273500**	**326273401 say ₹ 32.63 crore**

* Data not furnished for 2012-13

Annexure-XXII
(Para 5.6)

Statement showing details of Cumulative revenue loss sustained by BSNL on porting out of its existing mobile subscribers to other operators networks during the period from 2010-11 to 2012-13

Sl No.	Name of Telecom. Circle	No. of Port-out subscribers	No. of Port-in subscribers	Net deduction in customer base	Cumulative Revenue Loss (₹)
1	Gujarat	224489	70627	153862	196188784
2	Rajasthan	359350	96866	262484	261115455
3	Madhya Pradesh	102885	42851	60034	81961910
4	Karnataka	238870	186276	52594	105989244
5	West Bengal	79797	21312	58485	77657453
6	Bihar	60141	15722	44419	23330949
7	Haryana	253389	81252	172137	255281131
	Total :-	**1318921**	**514906**	**804015**	**1001524926** **say ₹ 100.00 crore**

Annexure—XXIII
(Para 5.7)

Statement showing Income-Tax liability of ₹ 29.78 crore on BSNL due to non-deduction of TDS on trade discount allowed to franchisees as per demand raised by I-Tax authorities and amount paid by BSNL during 2008-09 to 2011-12

Sl No.	Name of the Telecom Circle	AMOUNT OF TDS NOT DEDUCTED FROM TRADE DISCOUNT				Total TDS liability (₹)	Demand raised by I-Tax authorities towards TDS (₹)	Demand raised by I-Tax authorities towards interest & penalty (₹)	Total TDS/ Interest/Penalty paid by BSNL against demand raised (₹)
		2008-09	2009-10	2010-11	2011-12				
1	2	3	4	5	6	7	8	9	10
1	Chennai Telephones		5375000	8513970	7857556	21746949	21746949		12687800
2	Andhrapradesh		34192732	33179154	31247023	98618909	98618909	19631770	118250679
3	Rajasthan	970641	2032187	1713396		4716224	592693		
4	Jammu & Kashmir	combined figures for 2008-09 to 2011-12				84600	84600	736453	821053
5	Uttarpradesh	combined figures for 2008-09 to 2010-11				26612935	26612935		11725566
6	Punjab	4032584	4321191	10447586		18801361			
7	Odhisha		567992	528604		1096596			
8	Bihar		1899162	2108323		4007485			
9	Gujarat		15605067	13549718	1511014	30665799			
10	Madhyapradesh	combined figures for 2008-09 to 2010-11				5222886			
11	Kerala	5836743	7536581	806728		14180052			
12	Haryana		16974625	15873247		32847872			
13	Karnataka	4321629	8157803	5999238		18478670			
					Total:-	**277080338**	**147656086**	**20368223**	**143485098 say ₹ 14.35 crore**

Note:- Telecom Circles at Sl. No.6 to 13 are yet to receive demand notices from I-Tax authorities for non-recovery of TDS.

APPENDICES

Appendix – I

Summarised position of Action Taken Notes awaited from Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited under Department of Telecommunications, MoC&IT up to the Audit Reports 2014 as of September 2014.

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Bharat Sanchar Nigam Limited				
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	8	1	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	9	Nil	9
14	CA 25 of 2009-10	10	Nil	10
15	PA 27 of 2009-10	1	Nil	1
16	9 of 2009-10	2	Nil	2
17	10 of 2010-11	2	Nil	2
18	3 of 2011-12	8	1	7
19	8 of 2012-13	4	Nil	4
20	17 of 2014	5	5	Nil
	Total	**78**	**7**	**71**

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Mahanagar Telephone Nigam Limited				
1	3 of 1997	1	Nil	1
2	3 of 1999	1	Nil	1
3	5 of 2003	1	Nil	1
4	5 of 2004	3	1	2
5	5 of 2005	1	Nil	1
6	13 of 2006	1	Nil	1
7	10 of 2007	1	Nil	1
8	12 of 2007	3	Nil	3
9	CA 12 of 2008	2	Nil	2
10	CA 25 of 2009-10	1	Nil	1
11	9 of 2009-10	2	1	1
12	8 of 2012-13	1	Nil	1
13	17 of 2014	1	1	Nil
	Total	**19**	**3**	**16**
Grand Total		**97**	**10**	**87**

APPENDIX-II

Summarised position of Action Taken Notes awaited from Departments under Ministry of Communications & Information Technology (MoC&IT) up to the Audit Reports 2014 as of September 2014.

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Department of Posts				
1	CA 1 of 2008	1	Nil	1
2	CA 14 of 2008-09	1	Nil	1
3	17 of 2014	5	5	Nil
	Total	**7**	**5**	**2**
Department of Telecommunications				
1	6 of 1998	1	Nil	1
2	2 of 2004	2	Nil	2
3	2 of 2005	1	Nil	1
4	9 of 2006 (NTR)	1	Nil	1
5	CA 1 of 2008	1	Nil	1
6	19 of 2010-11	1	Nil	1
7	17 of 2014	3	3	Nil
	Total	**10**	**3**	**7**
Department of Electronics and Information Technology				
1	12 of 2006	1	Nil	1
2	17 of 2014	2	1	1
	Total	**3**	**1**	**2**
Grand Total		**20**	**9**	**11**