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AUDIT REPORT 15 ON FINANCE AND COMMUNICATION PRESENTED

Comptroller and Auditor General of India Report No. 15 of 2022 - Union Government - Finance and Communication (Compliance Audit) - for the period ended March 2021 was tabled in Parliament here today.

This Report of the Comptroller and Auditor General of India contains significant Audit findings, which arose from the compliance audit of the Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY) and Ministry of Finance (MoF). The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2019-20 and 2020-21 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports.

Chapter I gives a brief introduction of the activities of Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY), Department of Expenditure (DoE) and Department of Economic Affairs (DEA) of Ministry of Finance (MoF) and Ministry of Statistics and Programme Implementation (MoSPI) including Autonomous Bodies (ABs)/ Public Sector Undertakings (PSUs) under them.

Chapters II to **IV,** relates to findings/ observations arising out of the compliance audit of Department of Telecommunications (DoT) and Department of Posts (DoP) under Ministry of Communications and Ministry of Electronics and Information Technology (MeitY) respectively.

Chapters V to **VII** relates to audit findings of Public Sector Undertakings (PSUs) under the MoC, MeitY and MoF respectively.

Chapter wise compliance audit findings/observations:

Chapter II: Department of Telecommunications (DoT)

Short levy of License Fee on Tata Communications Ltd (TCL)
Audit scrutiny of Audited AGR Statements with reference to Profit & Loss Statements and Balance Sheets in respect of NLD, ILD and ISP-IT licenses of TCL for the period from 2006-07 to 2017-18 revealed that there was an under reporting of Gross Revenue (GR) by ₹13,252.81

crore and consequent short levy of LF of ₹950.25 crore. After deducting the DoT's assessment of LF of ₹305.25 crore, the License Fee demanded from TCL by DoT was short by ₹645 crore for the said period, which needs to be demanded and recovered.

DoT needs to act upon immediately to complete the Assessment for the period 2006-18 and to recover the License Fee dues, since finalization of Assessment of License Fee regarding NLD, ILD and ISP-IT licenses of TCL were already significantly delayed.

(Paragraph 2.1)

Undue delay in decision making regarding allotment/assignment of spectrum in E-band and V-band for Microwave access network and backhaul network

DoT has not taken any decision since December 2015 for allotment / assignment of spectrum for Microwave backhaul networks in E and V-bands available with it, despite TRAI recommendations and there being sufficient demand for the spectrum on account of increasing density of Mobile communications. There were 23 (twenty-three) applications pending with DoT as of December 2021, for assignment of Microwave access carriers. Consequently, spectrum in E and V-bands has not been utilised optimally and Government have therefore foregone the monetization benefits of the unsold spectrum and usage charges and have also deprived customers the benefits of better quality and high end services.

Considering minimum rate of 0.15 *per cent* of AGR for Spectrum charges, the estimated revenue foregone on a very conservative basis was ₹67.53 crore towards spectrum charges for one carrier of E & V band and the annual expected revenue foregone was ₹3.30 crore for one Circle alone based on average AGR reported by TSPs for the year 2020-21. This is only an indicative figure and the expected actual revenue could be higher based on number and bandwidth of the carriers allocated to users.

DoT may take an early decision in consultation with TRAI on allotment/assignment of spectrum for microwave access and backhaul network in E-band and V-band for providing support to mobile communications, ISP service providers and for effective roll out of 5G services. This would not only monetise the spectrum in un-allotted E & V bands but also generate the Spectrum Usage Charges to the Government resulting in effective utilisation of these spectrum bands, leading to improvement in quality of service to the customers.

(Paragraph 2.2)

Chapter-III: Department of Posts (DoP)

IT Modernization Project in Department of Posts

The IT Modernization Project in DoP was approved in 2012 with an outlay of ₹4909 crore, aiming to improve the operational and service delivery efficiency in more than 1.55 lakh field formations of the DoP. Though the project was almost completed, with an expenditure of ₹3447.98 crore (September 2021) with balance liabilities of ₹1376.83 crore to vendors, there were significant delays in the completion of important segments of the project viz. Financial System Integrator (FSI), Core System Integrator (CSI), Network Integrator (NI) and Rural System Integrator (RSI), ranging from one to four years. There were initial problems in pre-rollout preparatory activities, migration of data and non-availability of any Network in some areas, thereby delaying project activities. The Budget, Asset Accounting and Costing modules were not implemented in full until January 2022.

Though the modernisation Project achieved deliverables of anywhere, anytime banking, access to facilities like ATMs, quick money transfers and Net banking, increased insurance facilities to the rural populace, better customer experience through end-to-end article visibility and provision for electronic intimation on a real-time basis, Audit noticed that there were major deviations such as improper validation in migration of legacy data to the Core Banking Solution, integration and networking issues. These deficiencies led to misappropriation cases and have future potential too for irregularities unless corrective action is taken.

It was seen that there were inadequate system controls in monitoring of prescribed norms, and business rules of DoP. Poor networking and connectivity issues in Post Offices compromised services to the public despite the computerisation efforts. There was wasteful procurement of Magnetic Stripe ATM cards, RICT devices not functioning properly due to poor network, there were abnormal delays in provision of alternate delivery channels i.e., Internet Banking, Mobile Banking, SMS tracking and alerts to customers etc. The Project Implementation Committees and its Core Sub-Committees concerned did not pursue properly with the vendors for proper customisation / implementation and adhering to the timelines for completion of the project.

- ***Audit recommends that DoP may ensure uninterrupted network connectivity, integration of Core System with other Systems for providing better customer services. Further, Customisation of Core Banking Solution with reference to Post Office rules and regulations and strict implementation of KYC norms be taken up, to ensure proper application of POSB rules, cleaning up of irregular Account Balances, to curtail the probability of misappropriation of public money.***
- ***DoP may ensure implementation of all modules, integration of all softwares with core system and network connectivity from two network services in all Post Offices, for effective and qualitative services to its customers.***

(Paragraph 3.1)

Functioning of Railway Mail Service and Road Transport Network in DoP

Railway Mail Service (RMS) is the most important channel used by DoP for carrying and transmitting postal articles to all parts of the country. Apart from the RMS, DoP formulated a plan scheme for "Development of Road Transport Network" (RTN) for carriage of parcels and premium mails on selected routes to encourage e-commerce as well.

Audit scrutiny of functioning of Railway Mail Services revealed deficiencies in management of berths allocated to RMS by the Railways, sub optimal utilisation of space allocated/being used for RMS services and incorrect/excess payments being made to Railways which were not in keeping with the agreed terms etc., and were not detected in time due to non / improper verification of the claims raised by Railways. The instances of excess / incorrect billing / payments noticed by Audit were to the tune of ₹133.72 crore on a sample check, reflect lack of internal controls leading to excess/avoidable payment towards haulage charges, rent on buildings hired from Railways etc.

The RTN services were also not found to have been managed efficiently to achieve the targets of capturing of opportunities offered by growth of e-commerce in India by providing the time definite service to the customers, Monitoring was defective, resulting in non-achievement of scheme objectives of increasing parcel traffic growth by 25 *per cent*, despite an expenditure of ₹57.72 crore incurred till the end of FY20.

- ***Audit recommends that DoP needs to strengthen the Internal Control mechanism for verification of claims raised by Railways to avoid the excess payment of haulage charges, rentals etc. In consultation with RBI, DoP may change the payment system by introducing pre-validation of claims raised by Railways, before their account is debited.***
- ***DoP may review space in RMS properties occupied by them and vacate excess / vacant space in interest of economic operations***
- ***DoP needs to establish an effective monitoring mechanism by way of special cells for timely review of RTN routes to make them revenue beneficial. They need to design the daily connectivity to the potential cities / towns to be an enabler for better quality of services to customers and increased revenue generation for the Department through RTN.***

(Paragraph 3.2)

Idling of Aadhaar enrolment kits in Post Office Aadhaar Centres

Department of Posts (DoP) agreed to set up Aadhaar Enrolment Centres on request of UIDAI and procured 13,353 Aadhaar enrolment kits during 2018-19 incurring an expenditure of ₹178.08 crore. Out of these, 1,976 kits were not in operation due to hardware, network and staff shortage issues, in 21 Circles, resulting in blockade of funds of ₹25.75 crore. Further, due to poor quality of services, UIDAI imposed a dis-incentive of ₹3.84 crore on DoP.

Department of Post may monitor/review the status of idle kits/nil business Centres for timely action to utilise the idle kits by transferring them to needy circles. Department should pursue with UIDAI for refund of the dis-incentives/ penalty imposed on them.

(Paragraph 3.3)

Irregular Pension Payments by Post Offices

Business Rules in Department of Posts (DoP) mandate submission of life certificates for verification of continuity of life of pensioners. Audit noticed that in five Head Post offices (HPO) under West Bengal Circle, pension of ₹6.02 crore in 122 cases, was found irregularly credited to the pensioners accounts despite wanting life certificates for periods ranging from one to ten years. At the instance of Audit, in 14 cases, DoP credited back the irregularly drawn pension amounting to ₹64.51 lakh to the Government account, while recoveries were pending in remaining cases.

DOP may introduce requisite control in the Finacle Software to stop automatic crediting of pension in cases where life certificate is not produced by the pensioner in the stipulated time frame. Further DoP may undertake a review of similar cases in all the Circles and carry out rectification process in all such cases, including fixing of responsibility on Postal Circles for the irregular pension credited.

(Paragraph 3.4)

Misappropriation of public money in Department of Posts

Post Office Saving Bank Manuals prescribes the internal checks and clearly defines the responsibilities for prevention of frauds and fraudulent activities in Saving Bank Operations for various levels. To Corroborate the Manual, DoP has also issued directions to the Postal Circles through a series of internal orders from time to time encompassing the preventive checks/actions to be done by field formations to avert fraud by its staff.

Audit noticed that Savings Branch and the Saving Bank Control Organisation (SBCO) of DoP's Head Post Offices failed to implement internal checks codified by Department of Posts and orders issued by Directorate from time to time. These irregularities led to mis-appropriation of public money amounting to ₹95.62 crore in Post Offices spread over fourteen Postal Circles over the period November 2002 to September 2021, of which ₹14.39 crore (including penalty / interest of ₹40.85 lakh) was recovered and balance recoveries were yet to be effected.

To safeguard the public money and the faith citizens pose in Post Offices, DoP may ensure that effective and strict internal checks are exercised by Post Offices and internal audit is implemented in letter and spirit at various hierarchical levels. They may ensure intimation of POSB transactions electronically only, prevent manual entries in all respects implement effective password policy effectively and monitor disbursal of money to rightful claimants on maturity of various saving schemes/accounts. Further, DoP may initiate stringent action under the Rules to fix responsibility and accountability on its officers and staff responsible for the irregularities that have taken place.

(Paragraph 3.5)

Chapter IV: Ministry of Electronics and Information Technology (MeitY)

Setting up of new/upgraded Centres by National Institute of Electronics and Information Technology Centre (NIELIT) in North Eastern Region

MeitY approved (May 2012) the IECT project for socio-economic development of the North Eastern Region (NER) for setting up of new Centres / upgradation of existing Centres, for providing excellent infrastructure with residential facility to students of NER. NIELIT was the implementing agency and the project was to be completed in five years. It was seen in audit that out of 18 Centres to be newly established or upgraded, six projects were dropped and six projects were severely delayed for reasons such as land not provided / encumbrance free land not provided by the State Governments, faulty project management etc, despite appointment of Project Management Consultants who were paid consultancy charges. There were inadequacies in faculty development scheme, lack of industry interface, poor employability of NIELIT students, irregularities in financial management of the projects by the Project Management Consultants (PMCs). The Project Review and Steering Group (PRSG) was ineffective in its monitoring of the Project. The expenditure incurred of ₹27.58 crore was not in keeping with the project objectives of setting up of new/extension Centres and expenditure of ₹3.95 crore was rendered wasteful on Projects dropped. Thus the project could not completely achieve its objectives of providing excellent infrastructure to the students and of socio-economic development of the Region.

Audit recommends that NIELT may

- ***Approve projects after adequate planning and discussions with all stake holders and ensure suitable clauses in the contracts entered into with the PMCs that safeguard the financial interests of the Government of India.***
- ***Complete the incomplete and delayed projects expeditiously and fix accountability on PMCs/ contractors for dropped/delayed projects. Further, action may be initiate to***

revive the dropped projects by establishing dialogue with the State Governments at the highest level.

- ***Strengthen the project monitoring control both at Headquarters as well as unit level like by holding focused PRSG meetings, by revamping the Uniform Building Committee, regular site visits etc.***
- ***Consider Faculty Development Programme (FDP) in blended learning mode with a Training Calendar so that the smaller Centres also may plan well in advance and spare the faculties to attend the training without their having to leave station continuously for a long time.***

(Paragraph 4.1)

Avoidable payment of interest and penalty charges for belated remittance of EPF contributions by National Institute of Electronics and Information Technology

NIELIT failed to ensure timely remittance of statutory dues of the monthly Employees Provident Fund (EPF) contribution for its employees and manpower engaged by them in different projects/ Schemes. As a result, NIELIT had to make avoidable payment of ₹71.71 Lakh to the Employee Provident Fund Organization on account of interest and penalty charges for belated remittance of statutory dues i.e. EPF contributions.

Depositing the EPF contributions of employee as well as employer in concerned EPF Office by due date is a statutory requirement. In order to avoid interest and damage charges, Ministry may issue necessary instructions to all concerned to comply with the statutory requirement and hold the staff personally responsible for penal charges levied on NIELIT by EPFO.

(Paragraph 4.2)

Chapter V: Public Sector Undertakings under the Ministry of Communications (MoC)

Estate Management in Mahanagar Telecom Nigam Limited (MTNL)

MTNL was in possession of land / buildings, office complexes and staff quarters in Delhi and Mumbai cities. The provisional approximate valuation of all the properties was ₹57,750 crore (₹26,400 crore in Delhi and ₹31,350 crore at Mumbai). An Audit was conducted to examine management of the estate owned by MTNL covering the period from 2015-16 to 2020-21. The Audit found that a documented comprehensive Estate Management policy and a dedicated administrative structure, to support Estate Management was absent in MTNL. DoT did not provide timely directions on utilisation of vacant estate/properties with the Company, contributing to dismal performance in monetisation of vacant/prime properties of the MTNL. The company did not have title deeds/ lease deeds in respect of properties in their possession. This led to non-utilisation of acquired land/properties, encroachment of vacant land and delayed the process of monetization of properties. The Company incurred avoidable expenditure of ₹113.91 crore on unutilised properties on account of composition fee and other land charges because of re-allotment of property in its favour. The Company also had accumulated arrears of rent of ₹150.74 crore as of 31 March 2021 on properties rented out to various parties and potential loss of ₹205.80 crore due to non-letting of vacant spaces.

Audit has following recommendations

- ***Company may put dedicated efforts to obtain clear title to its properties and reconcile the data regarding value and quantity/size of the properties, which is a serious lacuna that***

needs to be urgently addressed so that the interest of the Company in the event of sale/disinvestment/capital restructuring is protected.

- ***The Company may take expedient steps to resolve matters relating to lease/ renting of properties to other organisations and recover rental dues to strengthen its financial liquidity. The Company may also ensure valid rent agreements with the occupying authorities.***
- ***DoT may consider undertaking a comprehensive examination of delays and shortcomings noticed in audit in taking various decisions relating to conversion of land holding, reservation and designation issues which are impacting the monetization of the Company's land assets and monitor the same very closely.***

(Paragraph 5.1)

Inventory Management of Telecom Factories in Bharat Sanchar Nigam Limited (BSNL)

Telecom Factories of BSNL procured excess material leading to accumulation of inventories and stores. Declining demands also resulted in unutilized raw material and finished tower material worth ₹18.45 crore and ₹47.44 crore respectively, lying idle in stores since 2015-16 which is a loss to the Company.

Audit recommends that BSNL may plan in a realistic way procurement of raw material and production, considering the prevalent market conditions and trends in demand so as to avoid excess procurement of raw material and production. They may take early decision for utilization /disposal of the tower material lying idle as well as the stock of obsolete inventories to avoid further deterioration in value of the material.

(Paragraph 5.2)

Chapter VI: Public Sector Undertakings under the Ministry of Electronics and Information Technology

NICSI's inadequate debt recovery mechanism

There was accumulation of dues of ₹111.20 crore from Government Departments/agencies due to absence of proper procedures and recovery mechanism of dues from debtors, in NICSI. This lackadaisical approach towards recoveries exposed the Company to risk of loss of revenue on account of completed projects.

Audit recommends that NICSI may ensure an efficient recovery mechanism in case of ongoing as well as completed projects. They should ensure settlement of previous accounts with the clients before taking up new projects for them. They may take necessary steps for recovery of their pending dues from various clients.

(Paragraph 6.1)

Chapter VII: Public Sector Undertakings under the Ministry of Finance

Avoidable financial burden on Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) due to injudicious investment decision

The Bharatiya Reserve Bank Note Mudran Pvt. Ltd (BRBNMPL), had to bear an avoidable financial burden of ₹1.37 crore, due to injudicious decision of its Employees Provident Fund (EPF) Trust to invest its surplus funds in a private company. The Company would also have to compensate the Trust for likely loss of principal amount of ₹5.70 crore, since the investee Company (IL&FS) had not only defaulted in payment of interest but had gone into liquidation.

Audit recommends that

- ***The Company may ensure that the EPF Trust follows the guidelines for investments more scrupulously to avoid recurrence of loss making investments.***
- ***The Company may fix responsibility on the Trust employees for the injudicious investment decision which has imposed avoidable financial burden on the Company.***

(Paragraph 7.1)

BSC/SS/TT/56-22