सत्यमेव जयते

Report of the Comptroller and Auditor General of India for the year ended March 2012

The Report has been laid on the table of the Parliament house on 01-08-2014

Union Government (Communications and IT Sector)

Compliance Audit Observations

No. 17 of 2014

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

CONTENTS

PREFACE

This Report for the year ended March 2012 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 compliance audit of transactions of the Ministry of Communications and Information Technology. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2012-13 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

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

Audit wishes to acknowledge the cooperation received from the Ministry of Communications and Information Technology at each stage of the audit process.

OVERVIEW

This Report contains significant audit findings which arose from the compliance audit of the financial transactions 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 Chapter II to V present detailed audit observations. 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:

Department of Telecommunications (DoT)

Subscriber verification by Telecom Service Providers

The Telecommunications Sector registered an impressive growth of 216 *per cent* during the last five years i.e. 2007-08 to 2011-12. Despite seven years of initiating the process for verification of subscribers, the concern of national security i.e. 100 *per cent* subscriber verification could not be achieved by the service providers due to ineffective monitoring and weak control by DoT Hqrs and the TERM Cells. Further, as DoT had restricted its audit checks to 0.1 *per cent* of the total subscribers of each service provider, large number of the non-compliant CAFs went undetected and the penalty amounting to ₹2116.95 crore remained unpaid by seven Telecom Service Providers.

Paragraph 2.1

Shared Mobile Infrastructure Scheme

The main objective of the Shared Mobile Infrastructure Scheme of DoT is to provide wireless or mobile services to uncovered areas including rural, remote, hilly and tribal areas under Universal Service Obligation Fund. This objective was only achieved to the extent of 72 *per cent* as services from 6026 sites created by IPs were not rolled out by the USPs till October, 2012. Further, ₹9.76 crore was paid by DoT as subsidy to the IPs (for managing 290 sites where services were not started by any USP and 474 sites where services were provided with abnormal delays) during non radiation period.

Paragraph 2.2

Violation of terms and conditions of USOF/UAS Licence Agreement by Reliance Group Companies

Unilateral switch off of mobile services by M/s RCL and M/s RTL in violation of terms and conditions of USOF/UASL Agreement resulted in depriving affordable mobile services to the specified rural and remote areas of the Country allotted to them.

Paragraph 2.3

Department of Posts (DoP)

Internal Control in Postal Accounts Offices of Department of Posts (DoP)

Despite having an extensive, exhaustive and detailed mechanism for preparation and maintenance of accounts as also prescribed checks and balances to ensure that the controls are effective and that accounts are prepared properly and submitted to the various authorized channels well in time, the Department of Posts has not given due importance to the existing control mechanism. As a result, Bank Reconciliation work was in arrears since 2009 resulting in items remaining unlinked both in the Bank Scrolls and Post Office Schedules in respect of drawings/remittances from/to Bank amounting to ₹19354.89 crore and ₹26637.83 crore respectively. The work of posting of issue and discharge of 2790228 Cash Certificates valuing ₹1420.90 crore in 13 PAOs was in arrears from April 1999. There was an outstanding amount of ₹19433.97 crore in the Objection Books of Cash Certificates which remained unadjusted at the end of March 2012. Further, out of ₹367.40 crore towards non-adjustment of Contingent Expenses, an amount of ₹70.57 crore was reconciled/adjusted after being pointed out by audit in 15 PAOs. An amount of ₹38.04 crore toward Pension (including Commission) was recoverable from other departments for payment of Pension made on their behalf.

Paragraph 3.1

Irregular claim of remuneration from Ministry of Finance

Department of Posts irregularly claimed remuneration of ₹18.60 crore for the period from 2009-10 to 2012-13 from Ministry of Finance (MoF) on technically revived silent accounts without corresponding efforts by Gujarat, Tamil Nadu and Rajasthan Postal Circles.

Paragraph 3.2

Loss of Revenue

In violation of Departmental instructions, the Newspapers which were not registered with RNI, were allowed to avail of concessional tariff which resulted in short realization of revenue of ₹8.91 crore in Tamil Nadu Postal Circle.

Paragraph 3.3

Wasteful expenditure

DoP failed to take effective action for utilization of Bogies purchased in 2004 resulting in wasteful expenditure to the extent of ₹5.46 crore.

Paragraph 3.4

Failure to realise service charge against disbursement of Old Age Pension in Jharkhand Postal Circle

In disregard of Postal Directorate instructions of December 2005, the Chief Postmaster General, Jharkhand Postal Circle failed to realise service charge of ₹1.52 crore during 2008-2013 against disbursement of Old Age Pension under Indira Gandhi National Pension Scheme.

Paragraph 3.5

Department of Electronics and Information Technology (DeitY)

Idle investment of ₹ 2.43 crore on procurement of defective equipment

STQC Directorate failed to enforce contractual obligations on the supplier to replace faulty equipment which led to its non-commissioning and idle investment of ₹2.43 crore. Besides, three electronics test laboratories for which the equipment was procured could not render specific testing services to industries.

Paragraph 4.1

Project Management in Society for Applied Microwave Electronic Engineering and Research (SAMEER)

Weak financial management, non-formulation of project guidelines, lack of centralised project implementation and monitoring system, deficiencies in costing and pricing as well as lack of well-defined policy on intellectual property rights, transfer of technology and patent rights were observed in test check of projects undertaken by SAMEER. Even after spending more than ₹200 crore during the last five years, SAMEER was able to get only three patents and one case of transfer of technology which reflect on the inadequate quality of its R&D output.

Paragraph 4.2

Public Sector Undertakings (PSUs)

Land Management in Bharat Sanchar Nigam Limited

Even though the Company has been in existence for more than a decade, it still does not have a Land Management Policy. In the absence of this, the Company which possesses huge tracts of freehold land measuring 402.99 lakh square meters has been unable to protect its land from encroachment/cancellation of plots due to abnormal delay in getting the inherited plots transferred/mutated/alienated in the name of the Company. Further the loss making Company was not able to commercially exploit its vacant land and take leverage of the same to generate additional revenue. There was also an abnormal variation in the book value of the inherited land and leasehold land on account of difference between the records of Civil Wing of Corporate Office and the audited accounts of the Company resulting in undervaluation of the assets of the Company.

Paragraph 5.1

Injudicious procurement of 288F High count Optical Fibre cable

Injudicious procurement of 288F high count Optical Fibre cable by BSNL without demand from field units resulted in non-utilisation of more than 50 *per cent* of the cable received for more than three years, leading to blocking of funds amounting to ₹41.30 crore.

Paragraph 5.2

Blocking of funds of ₹21.71 crore on injudicious procurement

Injudicious procurement of SMPS Power Plants and Air conditioning units by Circles/Electrical Wing of BSNL resulted in their non utilisation for more than one to four years. This led to idling of 1,612 SMPS power plants and 617 AC units and consequent blocking of funds of ₹21.71 crore.

Paragraph 5.3

Over payment of ₹2.09 crore and excess award of works worth ₹8.12 crore

Failure of internal control in Mizoram SSA of BSNL led to excess award of works worth ₹8.12 crore and over payment of ₹2.09 crore to a private contractor in execution of cable works.

Paragraph 5.4

Operation of International Long Distance Service in BSNL

Failure and delay in joining International Submarine Cable Consortiums led to deficiencies in operation of International Long Distance (ILD) service by BSNL. This further resulted in under-utilization of bandwidth capacity and avoidable expenditure in acquisition of bandwidth for operation of ILD service.

Paragraph 5.5

Operational Performance of Wireline and Wireless Services in Mahanagar Telephone Nigam Limited

Operational performance of Mahanagar Telephone Nigam Limited indicated poor quality of services. Audit also noticed that cost of operations had also increased besides lack of maintenance of existing equipment. There was ineffective planning and monitoring by Administrative Ministry which resulted in significant decline in subscriber base of wireline customers. Ineffective planning, delayed expansion of wireless infrastructure equipment, poor quality of service are the contributory factors for poor growth of wireless subscribers. This further impacted market share and consequent reduction of income from services.

Paragraph 5.6

CHAPTER-I
INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General (C&AG) of India relates to matters arising from compliance audit of the financial transactions of the Ministry of Communications and Information Technology (MoC&IT), Government of India including Public Sector Undertakings (PSUs) under its administrative control, for the year ended 31 March 2012.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain that the provisions of the Constitution of India and the applicable laws, rules, regulations, orders and instructions issued by the competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions to determine their legality, adequacy, transparency, propriety, prudence as also their effectiveness in terms of achievement of the intended objectives.

Audits are conducted on behalf of the Comptroller and Auditor General of India (C&AG) as per the approved Auditing Standards. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the executive to take corrective action that will lead to improved financial management of the organizations, thus, contributing to better governance.

This Chapter provides details of the Organizational Structure, 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** relates to present findings/observations arising out of the compliance audit of Department of Telecommunications (DoT), Department of Posts (DoP), Department of Electronics and Information Technology (DeitY) and Public Sector Undertakings (PSUs) under the Ministry.

1.2 Authority for Audit

The authority for audit by the C&AG 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 of India conducts audit of expenditure of Ministries/Departments of the Government of India under Section 13[1] of the C&AG's (DPC) Act[2]. Principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.3 Planning and conduct of Audit

Compliance audit is conducted in accordance with the principles and practices enunciated in the auditing standards promulgated by the C&AG. The audit process starts with the assessment of risk of the Ministry/Department as a whole and each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholder. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled on verification or further action for compliance is monitored. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports which are submitted to the President of India under Article 151 of the Constitution of India for being laid in Parliament.

1.4 Profile of Audited Entities

1.4.1 Department of Telecommunications (DoT)

The Department of Telecommunications (DoT) is responsible for policy formulation, licensing, wireless spectrum management, administrative monitoring of PSUs, research and development and standardization/validation of equipment etc. The Department of

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

Telecommunications is also responsible for grant of licenses for various telecom services like Unified Licenses, Unified Access Service (UAS), Internet and VSAT service and spectrum frequency management in the field of radio communication in close coordination with the International Bodies. It also enforces wireless regulatory measures by monitoring wireless transmission of all users in the country.

The Department of Telecommunications is headed by Secretary, (DoT) who is also the Chairman of the Telecom Commission. The Telecom Commission was set up by the Government of India in April, 1989 with administrative and financial powers of the Government of India to deal with various aspects of Telecommunications. The Commission consists of a Chairman, four full time members, who are ex-officio Secretaries to the Government of India in the Department of Telecommunications and four part time members who are the Secretaries to the Government of India Departments of Electronics and Information Technology, Industrial Policy and Promotion, Economic Affairs and Planning Commission.

➢ Analysis of Expenditure

The comparative position of expenditure of the DoT during 2011-12 and in the preceding four years is given in Table-1 below:

Table-1
Revenue and Expenditure of DoT

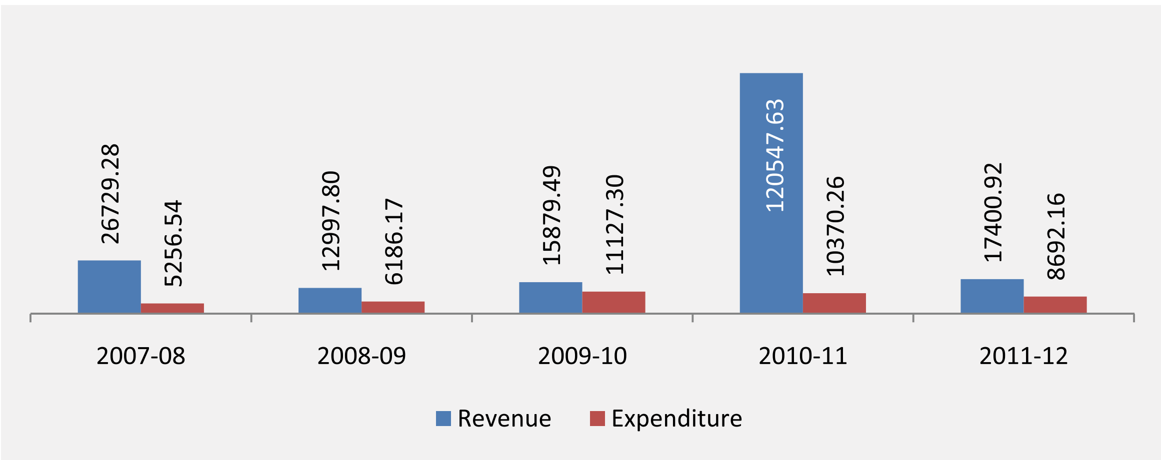
(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue	26729.28	12997.80	15879.49	120547.63	17400.92
Expenditure	5256.54	6186.17	11127.30	10370.26	8692.16

(Source: Appropriation and Finance Accounts of DoT)

Revenue and Expenditure of DoT

(₹ in crore)



An analysis of the above data revealed that there was huge increase in revenue of DoT during 2010-11 due to proceeds from the auction of 3G and BWA spectrum (₹106264.73 crore) held in April to June 2010. Further, expenditure of DoT has also steadily grown during this period except for the 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 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 and had an impressive growth rate during 2011-12. Indian Telecom Market is one of the fastest growing markets in the world with the share of private sector in total telephones was estimated to be 86.31 *per cent* at the end of March 2012. The growth of wireless over wireline had been substantial with the share of wireless telephones being 96.62 *per cent* of the total phones.

During the period 2007-08 to 2011-12, the number of telephone subscribers increased from 300.48 million to 951.34 million, registering a growth of 216.61 *per cent*. While the wireless subscriber base increased by 658 million, the wireline base recorded a decline of 7.24 million. The wireless segment continued to dominate with a total base of 919.17 million connections as of March 2012. The overall teledensity in the country registered an increase from 25.64 *per cent* at the end of March 2008 to 78.66 *per cent* at the end of March 2012. The rural teledensity which was 9.34 *per cent* as on 31st March 2008 increased to 39.22 *per cent* at the end of March 2012, as compared to the urban teledensity of 63.67 *per cent* and 169.55 *per cent*, respectively. However, the growth rate of subscribers in rural areas during the last five years was higher at 347.53 *per cent* compared to 173.89 *per cent* in urban areas. The internet and broadband subscribers had also gone up from 11.09 million in 2007-08 to 22.86 million in 2011-12. The status of overall growth for the year 2007-08 to 2011-12 in Telecom Sector is as given below in Table-2.

Table-2
Status of Growth in Telecom Sector

Year	Subscribers (In Millions)					Teledensity (In percentage)			Internet & Broadband subscribers (in millions)
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban	
2007-08	300.48	73.92	226.56	39.41	261.07	25.64	9.34	63.67	11.09
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

(Source: TRAI Annual Reports 2007-08 to 2011-12)

The capital employed by the Telecom Service Providers in the sector also increased from ₹2,19,709 crore in 2007-08 to ₹3,21,375 crore in 2011-12. Correspondingly the capital investment also grew from ₹2,78,599 crore in 2007-08 to ₹5,17,818 crore in 2011-12. The financial profile of the Telecom Service Providers in the Telecom Sector for the years 2007-08 to 2011-12 is given in Table-3 below:

Table-3
Financial Profile of Telecom Service Providers in Telecom Sector

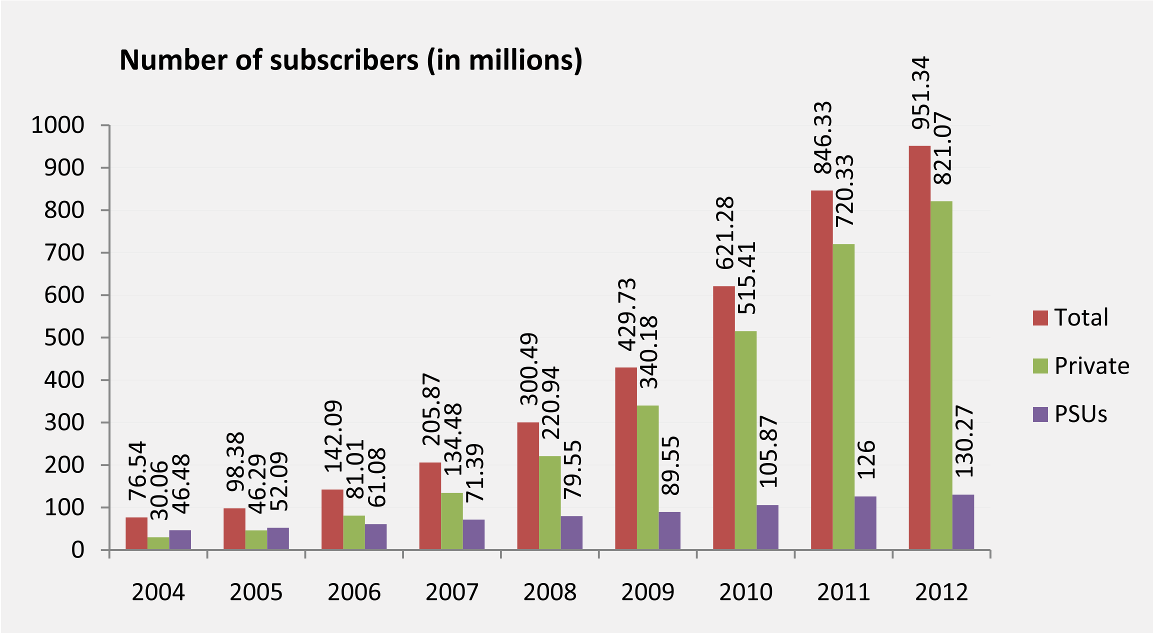
(₹ in crore)

Year	Capital employed			Investment			Gross Revenue
	Public	Private	Total	Public	Private	Total	
2007-08	1,04,247	1,15,462	2,19,709	1,41,149	1,37,450	2,78,599	1,32,785
2008-09	1,03,856	1,70,651	2,74,507	1,49,201	1,88,587	3,37,788	1,51,693
2009-10	96,103	1,90,734	2,86,837	1,89,615	2,26,814	4,16,429	1,57,985
2010-11	89,040	2,48,643	3,37,683	1,97,332	2,81,946	4,79,278	1,71,719
2011-12	81,548	2,39,827	3,21,375	2,01,582	3,16,236	5,17,818	1,95,442

(Source: TRAI Annual Reports 2007-08 to 2011-12)

It can be seen that the capital employed and the investments made by Private Telecom Companies is significantly more than the share of Public Sector Telecom Companies. Further, the subscriber base of Private Telecom Companies increased significantly as compared to Public Sector Telecom Companies as given in the graph below:

Growth in subscriber base - Private versus PSUs



(Source: TRAI Annual Reports)

➢ 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. TRAI's mission is to create and nurture conditions for growth of telecommunications in the country in a manner and at a pace which will enable India to play a leading role in emerging global information society. 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. The directions, orders and regulations issued by TRAI cover a wide range of subjects including tariff, interconnection and quality of service as well as governance of the Authority.

Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT)

The TRAI Act was amended by an ordinance, effective from 24 January 2000, establishing a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) to take over the adjudicatory and disputes functions from TRAI. TDSAT was set up 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 of appeals against any direction, decision or order of TRAI.

➢ Important DoT Units

Various DoT Units include 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 (R & D) Unit.

➢ Universal Service Obligation Fund (USOF)

To give impetus to rural telephony, Government formed a Universal Service Obligation Fund (USOF) by an Act of Parliament w.e.f. 1 April 2002. The USOF is headed by the Administrator USO Fund, appointed by the Central Government, for the administration of the Fund. He is empowered to formulate procedures for implementation of USO Fund schemes and disbursement of funds from USOF. The office of the Administrator works as an attached office of the Department of Telecommunications. Various schemes have been launched by USOF including a project for creating a "National Optical Fibre Network (NOFN)" which is being executed by a newly incorporated Company viz., "Bharat Broadband Network Limited" with a view to improve the penetration of telecom facilities in rural and remote areas of the country. A total amount of ₹43,947.49 crore has been collected under USOF, out of which ₹22,108.04 crore has been utilized, till 31 March 2012[3].

➢ Public Sector Undertakings (PSUs) under the administrative control of DoT

DoT has four important PSUs under its administrative control as follows:

Mahanagar Telephone Nigam Limited (MTNL)

MTNL, set up in 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 of Delhi and Mumbai and providing triple play services i.e. voice, high speed internet and IPTV on its Broadband network. At present, Government of India shareholding is 56.25 *per cent* equity shares and the remaining 43.75 *per cent* shares are held by Foreign Institutional Investors (FIIs), Financial Institutions, Banks, Mutual Funds and others including individual investors. MTNL's financial turnover was ₹3,374 crore during the year 2011-12, as compared to the previous year's turnover of ₹3,674 crore. MTNL posted a loss of ₹ 4,110 crore during the year 2011-12[4].

---

[3] Source: Information furnished by DoT

[4] Source: Annual Accounts (2011-12) of MTNL

Bharat Sanchar Nigam Limited (BSNL)

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 provides various types of telecom services namely telephone services on landline, WLL and GSM mobile, Broadband, Internet, leased circuits and long distance telecom service. Rural telephony is one of the focus areas of BSNL and it lays special emphasis on development of telecommunication facilities in the North-Eastern region and in tribal areas. BSNL had a turnover of ₹27,933 crore[5] and incurred a loss of ₹8,851 crore during the year 2011-12.

Indian Telephone Industries Limited (ITI Ltd.)

ITI Limited was established in 1948, to supply telecom equipment to the then telecom service provider, Department 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 establishment of these plants at various locations was not only aimed at augmentation of manufacturing capacity but also development of social infrastructure. The Company achieved a gross turnover of ₹ 922 crore[6] and incurred a loss of ₹370 crore during the year 2011-12.

Telecommmunications Consultants India Limited (TCIL)

TCIL, fully owned by Government of India, was set up in 1978 with the main objective of providing world class technology in all the fields of telecommunication 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 on a continuous basis. The Company earned a profit of ₹8.03 crore[7] on a turnover of ₹680.79 crore during the year 2011-12.

1.4.2 Department of Posts (DoP)

The Postal System in India has been handling communications infrastructure for the country for almost 150 years and currently has the largest network in the world. The primary services rendered by the Department of Posts (DoP) are as follows:

[5] Source: Annual Accounts (2011-12) of BSNL
[6] Source: Annual Accounts (2011-12) of ITI Ltd
[7] Source: Annual Accounts (2011-12) of TCIL

Communication services –	Letters, Post Cards,
Transport services –	Parcel, Logistics,
Financial services –	Savings Bank, Money Order, Insurance,
Value added services –	Speed Post Service , Business Post and Direct Post.

As part of its Universal Service Obligation, the Postal System is expected to ensure provision of efficient postal services at affordable prices to users all across the country. Transmission and delivery of mail is the core traditional business of the Postal Department. Over the years several value added services like bulk mail, business post and speed post have been introduced by DoP.

The Post Office Savings Bank Scheme is an agency function performed by the DoP on behalf of the Ministry of Finance, Government of India for which the Ministry of Finance remunerates the DoP at rates fixed from time-to-time. In discharge of its agency functions, DoP represents the oldest and largest banking network in the country and plays a critical role in mobilizing small savings, primarily in rural areas.

The Department of Posts also provides life insurance. Postal Life Insurance (PLI) has been providing life insurance coverage since 1884 to Government employees. Since 1995, PLI has been extended to the rural population of the country under a new scheme Rural Postal Life Insurance.

DoP 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.

Organisational set-up

The Department of Posts (DoP) is part of the Ministry of Communications and Information Technology, Government of India. The Secretary, Department of Posts is the Chief Executive of the Department. The Postal Service Board, the apex management body of the Department, comprises the Chairman and six Members, holding portfolios of Personnel, Operations, Technology, Postal Life Insurance, Human Resources Development and Planning.

The Board directs and supervises the management of postal services throughout the country with the assistance of Chief Postmasters General in 22 Circles and Senior/Deputy Directors General in the Directorate General of Posts. A Business Development Directorate (BDD) was set up in DoP in 1996 to ensure focused management of value added services viz., Speed Post, Speed Post Passport Service, Business Post, Express Parcel Post, Media Post, Meghdoot Post Card, Greetings Post, Data Post, E-Bill Post and

E-Post. Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) Schemes are monitored by PLI Directorate headed by the Chief General Manager, PLI.

Financial Performance

The total revenue receipts during 2011-12 showed an increase of 13.46 *per cent* over the previous year whereas the revenue expenditure increased by 2.68 *per cent* over the same period. The revenue receipts and revenue expenditure of DoP for the years 2007-08 to 2011-12 is shown in the Table-4 and as well as in the graph below:

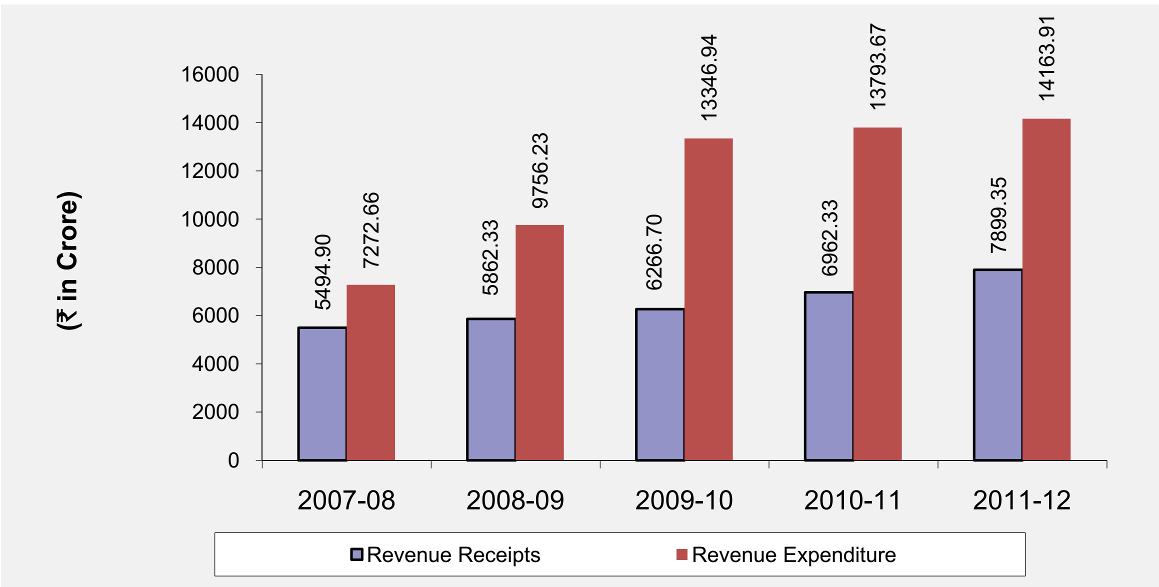
Table-4
Revenue receipts and Revenue expenditure of DoP

(₹ in crore)

Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2007-08	5494.90	266.32	7272.66	1511.44
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

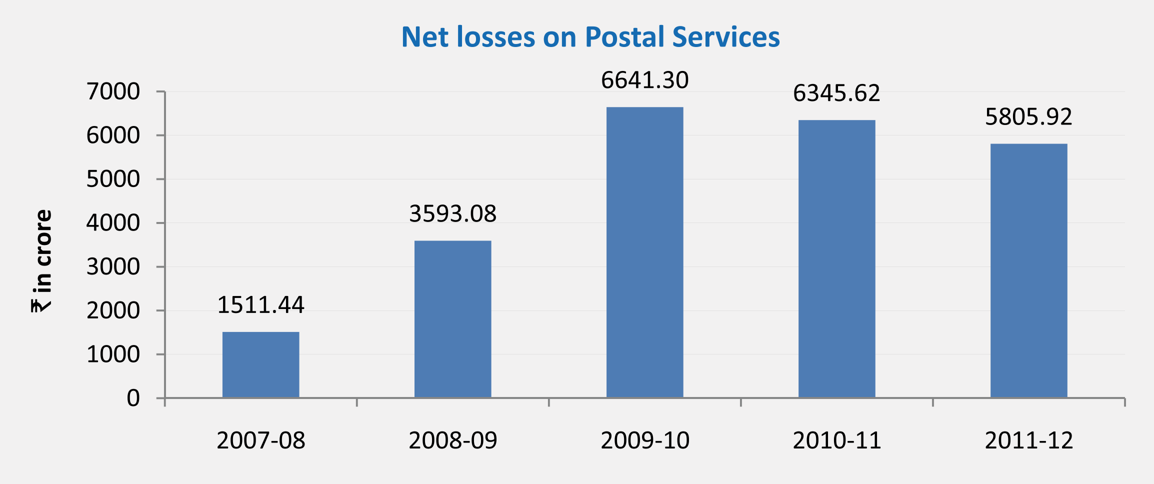
(Source: Appropriation and Finance Accounts of DoP for the years 2007-08 to 2011-12)

Revenue receipts and Revenue expenditure of DoP



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

There was a net loss of ₹5,805.92 crore on postal services[8] in 2011-12. The comparative position for the period 2007-08 to 2011-12 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. The department is headed by Secretary and has a Cyber Appellate Tribunal headed by Chairperson.

The major objectives of DeitY are e-Government for providing e-infrastructure for delivery of e-services, e-Industry for promotion of electronics hardware manufacturing and IT- ITeS industry; e-Innovation/R&D; e-Learning; e-Security and e-Inclusion for promoting the use of Information and Communication Technology (ICT) for more inclusive growth.

The Major Functions of DeitY is to formulate policy relating to Information Technology, Electronics and Internet, initiatives for development of Hardware / Software industry, Promotion of IT and IT enabled services and Internet, assistance to other departments in the promotion of E-Governance, E-Infrastructure, E-Medicine, E-Commerce etc, promotion of Information Technology education and Information Technology based education, matters relating to Cyber Laws, administration of the Information Technology

[8] Net loss was calculated as the difference between revenue receipts & recoveries and revenue expenditure, i.e., {(₹7899.35+₹ 458.64)-₹14163.91}

Act, 2000 and other IT related laws, Promotion of Standardization, Testing and Quality in IT and standardization of procedure for IT application and Tasks.

➢ Electronics and Information Technology scenario in India

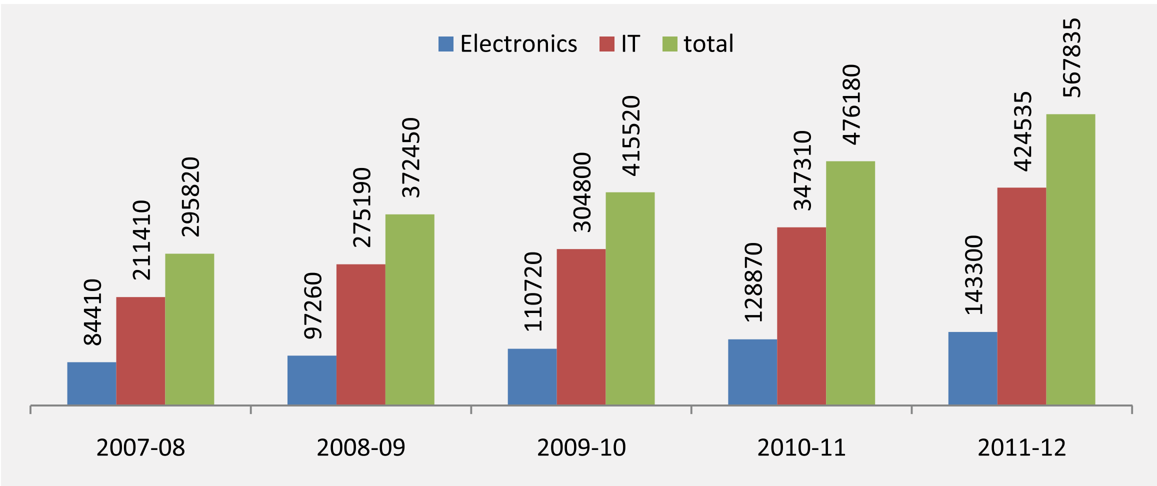
The global Information Technology sector has made remarkable progress in the last decade. It has transformed the world, enabling innovation and productivity increases, connecting people and communities, and improving standards of living and opportunities across the globe. While changing the way individuals live, interact, and work, Information Technology has also enhanced competitiveness and economic and societal modernization.

The Annual Report of DeitY states that the current scenario of Electronics and Information Technology in India is very robust and the country has witnessed exponential growth in this sector. Information Technology sector has been one of the key drivers for faster and inclusive growth during the Eleventh Five Year Plan. It has contributed immensely to the development of Indian economy. India has become a global power house in software and software services sector.

The production and growth profile of the Indian Electronics and IT- ITeS (Information Technology Enabled Services) industry since 2007-08 to 2011-12 is as given in the chart below:

Electronics and IT production

(₹ in crore)



(Source: Annual Report of DeitY -2012-13)

It can be seen from the Chart that the overall growth in the sector during 2007-08 to 2011-12 was 91.95 *per cent* and the IT production accounted for 74.75 *per cent* of the total output of the Electronics and IT sector during 2011-12.

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 ₹6,93,036 crore and the Indian software and services exports are estimated at ₹5,15,536 crore during 2012-13 as envisaged by the Department. The IT sector has been the biggest employment generator and has spawned the mushrooming of several ancillary industries.

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 2007-08 to 2011-12 is given in Table-5 below.

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

(₹ in crore)

Year	Amount of Grant	Total Expenditure
2007-08	1536	1295
2008-09	1816	1558
2009-10	2582	1697
2010-11	3719	3129
2011-12	3048	2074
Total	**12701**	**9753**

(Source: Appropriation Accounts of DeitY for the years 2007-08 to 2011-12)

1.5 Budget and expenditure controls

A summary of Appropriation Accounts for 2011-12 in respect of DoT, DoP and DeitY is given in subsequent Table-6:

Table-6
Details of grants 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	Percentage of Unspent provision
1.	Department of Electronics and Information Technology	3048.63	2074.58	(-) 974.05	31.95
2.	Department of Posts	14291.66	14374.14	(+) 82.48	-
3.	Department of Telecommunications	9773.79	8692.16	(-) 1081.63	11.07

(Source: Appropriation Accounts of the Ministries/ Departments for 2011-12)

➢ Significant findings of Appropriation Audit of DoP, DoT and DeitY accounts for the year 2011-12

Some of the significant findings of Appropriation Audit of the three Departments are given below:

- Under statement of the closing balance of the USO Fund by ₹23,752.48 crore
- DoP re-appropriated ₹ 31.68 crore to the scheme 'Social Security and Welfare Programmes – Service Discharge Benefit Scheme for Gramin Dak Sewaks' despite refusal of the re-appropriation proposal of the Department by MoF
- An amount of ₹ 7.75 crore was incurred by DoP without any budget provision
- Grants to Postal Services Staff Welfare Board booked under object head 32 'Contributions' instead of object head 31- Grants-in-aid General (DoP)
- Expenditure on annual membership fee for International Bodies booked under object head 50 – other charges instead of 32 - Contributions (DoP)
- An amount of ₹ 0.07 crore was augmented without obtaining prior approval of Parliament by DoT
- DOT re-appropriated an amount of ₹ 51.58 crore earmarked for NE region and Sikkim on penultimate day of financial year to Pension (Non Plan)
- Object heads 51 and 52 were used for booking expenditure of revenue nature instead of Capital nature (DeitY)
- DeitY provided Grant-in-Aid to organisations such as SAMEER, C-MET, C-DAC, MLA, NICLIT amounting to ₹ 1948.63 crore under the Object Head 31 Grants-in-Aid General. Consequently the salary component of ₹ 59.07 crore was incorrectly booked under Object Head 31 instead of Object Head 36-Grants-in-aid-salaries.

CHAPTER-II
DEPARTMENT OF TELECOMMUNICATIONS

2.1 Subscriber verification by Telecom Service Providers

2.1.1 Introduction

Over the last two decades, telecom sector has seen a phenomenal growth especially in the mobile segment. The sector continued to register an impressive growth during the last five years i.e. 2007-08 to 2011-12. During the period, the number of telephone subscribers increased from 30.05 crore in 2007-08 to 95.13 crore in 2011-12, registering a growth of 216 *per cent*. While the wireless subscriber base increased by 65.80 crore, the wire line subscriber base recorded a decline of 72 lakh during the period. The wireless segment continued to dominate with a total base of 91.91 crore connections as of March 2012. The overall telecom growth during the years 2007-08 to 2011-12 is indicated in the Table-1 given below:

Table-1
Telecom growth during the years 2007-08 to 2011-12

(Figures in crore)

Years	Wire-line Subscribers	Wireless Subscribers	Total Subscribers
2007-08	3.94	26.11	30.05
2008-09	3.80	39.17	42.97
2009-10	3.70	58.43	62.13
2010-11	3.47	81.16	84.63
2011-12	3.22	91.91	95.13

(Source: Annual Reports of TRAI and DoT)

In the wire line segment, the state owned Public Sector Undertaking, Bharat Sanchar Nigam Limited (BSNL) had a subscriber base of 2.25 crore as of March 2012 which accounted for nearly 70 *per cent* of the market share. In the wireless segment seven[1] major service providers with a subscriber base of 84.03 crore were holding 91 *per cent* of the market share as of March 2012.

Easy access to telecommunication facilities in India, especially in the mobile segment, has also led to increased threat of potential misuse of telecom connections for anti-

[1] Aircel, Bharti Airtel, BSNL, Idea cellular, Reliance Communication, Tata Teleservices and Vodafone

national activities. Viewed against this back drop, complete verification of the subscribers and adequate control of government agencies over telecom service providers assumes special significance.

2.1.2 Internal Control by DoT

2.1.2.1 Creation of Telecom Enforcement, Resource and Monitoring (TERM) Cells

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 license service areas and large telecom districts of the country, in order to ensure that service providers adhere to the license conditions and also to ensure compliance of telecom network security issues. Keeping this objective in view, DoT established 34 Telecom Enforcement, Resource and Monitoring (TERM) Cells in August 2008 (erstwhile Vigilance Telecom Monitoring Cells established in 2004 and renamed as TERM Cells in August 2008). Amongst other things, TERM Cells were required to monitor the verification of subscribers by the service providers in accordance with DoT instructions issued from time to time and terms and conditions of the License Agreement. This was to be done by the TERM Cells through audit verification of Customer Acquisition Forms (CAFs). In case of non-compliance/defective CAFs, TERM Cells were required to impose penalty on defaulting service providers.

2.1.2.2 Instructions issued by DoT on Subscriber Verification from time to time

The Department of Telecommunications (DoT) in June 2003, in the interest of national security, issued guidelines for utmost vigilance on the part of telecom operators while providing telephone connections. Thereafter DoT issued instructions from time to time for implementation of 100 *per cent* subscriber verification. The orders issued by DoT from November 2004 are as below:

November 2004 – DoT instructed all the Service providers that no telephone connection should be given without proper verification of bonafides and addresses of the customers.

May 2005 – It was emphasized that sale of SIM cards/connections without proper identity verification of subscriber should not be done.

November 2006 – Imposed ban on sale of pre-activated SIM cards without verification of subscriber. It was also instructed that the authorized person at the point of sale shall record in the application form that he has seen the subscriber and verified the document with the original.

April 2007 – DoT introduced a penalty of ₹1000 per violation of subscriber verification found during checks by TERM Cells.

June 2007 – DoT issued guidelines regarding subscriber verification to be followed by Telecom Enforcement Resource and Monitoring (TERM) Cells. The sample size to be checked every month by TERM Cell was fixed at 0.02 *per cent* of the total subscriber base of each service provider.

April 2008 – The percentage check by TERM Cell was increased to 0.1 *per cent*.

December 2008 – As the service providers were not complying with the requirement of subscriber verification, the penalty was enhanced based on graded scales.

September 2009 – DoT instructed re-verification of 100 *per cent* mobile subscribers by the service providers within a time period of one year. Further all the customer verification forms were to be scanned and uploaded on the service provider's website for password controlled access by TERM Cells.

October 2009 – DoT gave a list of documents acceptable as proof of identity and proof of address.

February 2011 – DoT issued clarifications regarding scheme of financial penalty in respect of subscriber verification failure cases.

2.1.2.3 Imposition of Penalty by DoT

In November 2006, DoT provided for imposition of penalty at the rate of ₹1000 per violation of subscriber number verification after March 2007. The quantum of penalty was revised (April 2009) into a graded system whereby the maximum amount of penalty was enhanced up to ₹50,000 per unverified subscriber.

Thus, DoT's instructions on the subject were comprehensive and sought to ensure complete subscriber verification through (i) completeness of CAFs (ii) obtaining proof of identity/address of customers with photo identification (iii) certification from an authorized person at the point of sale that he/she had been personally seen (iv) cross verification of subscriber data from original CAFs and (v) storage of the CAFs in electronic form for continued monitoring. The system of imposition and collection of penalties was meant to prove as an effective deterrent for the service providers to progressively tighten their verification procedures and increase compliance.

2.1.3 Scope of Audit

We conducted the audit during July-August 2012 with a view to assessing the role and effectiveness of DoT in implementation of instructions issued till February 2011 regarding mobile subscriber verification by the seven[2] major service providers in India for the period 2007-08 to 2011-12. Audit findings were issued to the Ministry in September 2012 and the reply of the Ministry was received in February 2013.

2.1.4 Audit Objectives

The audit was conducted to evaluate as to whether:

- 100 *per cent* verification was done by the service providers for addressing concerns relating to National Security as per instructions given by DoT from time to time.
- TERM Cells conducted adequate audit checks.
- Penalty was levied and recovered from service providers.
- Efficient and effective control systems were in place to monitor subscriber verification by the service providers.

2.1.5 Sources of Audit Criteria

The sources of main audit criteria were:

- Instructions of DoT/Reports of TERM Cells (Telecom Enforcement, Resource and Monitoring Cell).
- Guidelines issued by DoT for TERM Cells.
- Relevant/applicable terms and conditions of License Agreement signed with Telecom Operators.

2.1.6 Audit Findings

Audit of TERM Cells and their working disclosed that the minimum sample size of 0.1 *per cent* of total subscribers base of each operator as required was not checked by the TERM Cells, realization of penalty levied by TERM Cells was poor, surprise checks conducted by TERM Cells in fact uncovered, higher non-compliance by service providers

[2] Aircel, Bharti Airtel, BSNL, Idea cellular, Reliance Communication, Tata Teleservices and Vodafone

besides delay in implementation of TDSAT judgment and consequent delays in imposition of penalty. All these factors adversely impacted the achievement of 100 *per cent* verification of subscribers by the service providers. These audit findings are brought out in the succeeding paragraphs:

2.1.6.1 Non-verification of 4.59 crore subscribers

DoT had declared in its Annual Report 2011-12, that mobile subscriber verification audit conducted by TERM Cells in the field, had resulted in enhanced compliance to subscriber verification by the service providers from 80 *per cent* to approximately 95 *per cent* during the year 2011-2012. The mobile subscriber base was 91.91 crore on March 2012. Given that the mobile subscriber base was 91.91 crore, and if the percentage of compliance to verification as 95 *per cent* is to be accepted in full, even then a significant number of 4.59 crore subscribers remained unverified. This is especially significant, viewed in the context of national security concerns as expressed by DoT in June 2003. Non-compliance of 100 *per cent* subscriber verification by the service providers even after a period of seven years of implementation of specific subscriber verification system is significant, defeating the very purpose of achieving essential national security which calls for better monitoring and control by DoT.

The Ministry in its reply (February 2013) stated that when the TERM Cells started carrying out Audit in April 2007, the success rate was only about 74 *per cent* which now has increased to 95 *per cent*. This shows that Audit by TERM Cell has brought about considerable improvement in verification thus adding to national security. 100 *per cent* verification is desirable but in Audit 100 *per cent* verification is theoretical because some CAFs are bound to fail in Audit due to various reasons.

The reply is however unsustainable as no risk is acceptable in the interest of national security. Hence 100 *per cent* subscriber verification by the service providers was not only desirable but also the minimum mandatory requirement. Further the non-compliance of verification has also increased from 4.29 crore subscribers as of April 2007 to 4.59 crore subscribers as of April 2012.

2.1.6.2 Significant shortfall in the achievement of verification audit targets by TERM Cells

DoT in May 2007 introduced monthly verification audit of CAF based on uniform sampling of 0.02 *per cent* of customer base of service providers. In April 2008, it was held that the sample size of 0.02 *per cent* was not sufficient to represent the total population of verified subscribers and hence decided to enhance the sample size to 0.1 *per cent* with effect from 1 May 2008. This meant checking one out of 1000 subscribers every month by the TERM Cells. The TERM Cells could increase the percentage checks over and above the sample size also.

The year wise mobile connections, the sample size of CAFs to be checked based on sample size of 0.02 (up to April 2008) to 0.1 *per cent* (May 2008 onwards) drawn from mobile working connections every month and actually checked by TERM Cells is given in Table-2 below:

Table-2

Year wise mobile connections, sample size due, checked and shortfall/excess

(Figures in lakh)

Year	Mobile Working connections as of March*	Sample Size due for check	Sample Size actually checked	Shortfall / Excess
2008	2410	23.14	6.35	- 16.79
2009	3800	45.60	40.97	- 4.63
2010	5669	68.03	77.19	9.16
2011	7578	90.93	74.20	-16.73
2012	8403	100.84	88.17	-12.67
Shortfall in sample size actually checked by TERM cell				**-41.66**

*(Source: Data furnished by DoT, * Figures taken from Annual Reports of TRAI)*

It can be seen from the table that the TERM Cells did not even complete the audit checks of the sample size during any of the years except for 2010. During the period from 2008-2012, there was a short fall of 41.66 lakh CAFs in respect of seven service providers which indicates that even the bare minimum of 0.1 *per cent* sample audit checks were not conducted by the TERM Cells.

Our examination of the records revealed that the seven major service providers failed to adhere to the DoT's instructions regarding 100 *per cent* verification of identity of subscribers before sale of SIM cards. Telecom Service Provider wise percentage of non-compliant CAFs for the period 2008 to 2012 is given in Table-3 below:

Table-3
Telecom Service Provider-wise percentage of non-compliant CAFs

TSPs	Percentage of non-compliant CAFs				
	2008	2009	2010	2011	2012
AIRCEL	NA[3]	4	4	5	5
BAL[4]	30	8	6	5	5
BSNL[5]	54	13	6	4	5
ICL[6]	9	6	5	5	5
RCL[7]	40	15	9	9	6
TTSL[8]	28	8	5	5	5
Vodafone	25	7	5	4	4

(Details given in ***Annexure-I****) (Source: Data furnished by DoT)*

From the above table, it was evident that though there was significant improvement in the compliance over the years, the percentage of non-compliance by the seven major service providers during the period 2008-2012 ranged from 4 to 54 *per cent*. In 2012, RCL still had 6 *per cent* non-compliant CAFs. This indicates that the objective of achieving 100 *per cent* compliances to subscriber's verification by the service providers was yet to be achieved. Based on the percentage of non-compliance by the service providers during 2012, the non-compliant (defective) CAFs in respect of total subscriber base relating to each service provider and penalty for the year 2012 has been worked out as indicated in the Table-4 given below:

Table-4
Statement showing defective CAFs and the penalty worked out

TSPs	Percentage of non-compliant CAFs during 2012	Working connections as of March 2012	Defective CAF	Penalty @ ₹1000 per defective CAF (₹ in crore)
AIRCEL	5	62570000	3128500	312.85
BAL	5	181280000	9064000	906.40
BSNL	5	98510000	4925500	492.55
ICL	5	112720000	5636000	563.60
RCL	6	153050000	9183000	918.30
TTSL	5	81750000	4087500	408.75
Vodafone	4	150470000	6018800	601.88
Total			**42043300**	**4204.33**

(Source: Data furnished by DoT)

---
[3] Not available (DoT has not furnished the figures)
[4] Bharti Airtel Limited
[5] Bharat Sanchar Nigam Limited,
[6] Idea Cellular Limited,
[7] Reliance Communication Limited
[8] Tata Teleservices Limited

Based on the figures worked out, it could be seen that the total defective CAFs for the seven major service providers was 4.20 crore for the year 2012. Even, if a minimum penalty of ₹1000 is levied for each defective CAF, the total penalty works out to ₹4204 crore for the year 2012 alone.

The mobile subscriber base of the service providers during the years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 was 26.11 crore, 39.17 crore, 58.43 crore, 81.16 crore and 91.91 crore and the revenue was ₹1,29,083 crore, ₹1,52,348 crore, ₹1,57,985 crore, ₹1,71,719 crore and ₹1,95,442 crore respectively. It was thus evident that though the service providers were capable of handling huge capacity build up and revenue generation in a short span of time, they failed to comply with the instructions of DoT regarding subscriber verification. It also indicated ineffective and poor control of DoT over the telecom service providers to ensure 100 *per cent* subscriber verification essentially for national security even after seven years.

The Ministry in its reply stated (February 2013) that penalties were imposed in case of failures detected during CAF Audit and any extrapolation of penalties was not right. It was further stated that in order to bring more seriousness amongst TSPs, graded system of penalties had been introduced since April 2009. Therefore, conclusion shown in Audit neither reflects the correct picture nor will it help in taking any decision.

The reply was unacceptable as sample size of 0.1 *per cent* drawn for CAF Audit was representative of the population and reflects its characteristics. In fact, the CAF Audit done by TERM Cells was based on sampling of CAFs and the results thereof should be used regarding subscriber verification.

2.1.6.3 Other than regular monthly audit by TERM Cells

DoT instructions (November 2010) provide that the TERM Cells would also conduct audit checks relating to subscriber verification cases other than monthly sample CAF Audit, such as cases referred from Law Enforcement Agencies (LEAs), cases of complaints, cases discovered during investigation of bulk cases, surprise checks etc.

Our examination of the records at DoT Hqrs (August 2012/June 2013) disclosed that based on complaints received and surprise checks, the TERM Cells found that seven major service providers failed to comply with the DoT instructions of 100 *per cent* re-verification of mobile subscribers through CAFs. We noticed a higher percentage of non-compliance of DoT's instructions by the service providers. The details of the complaints checked by TERM Cells, non-compliant CAFs and the percentage of non-compliance of CAFs during the years 2009 to 2012 are given in Table-5 below:

Table-5

Complaints checked, non-compliant CAFs, their percentage penalty imposed and recovered

Service Provider	Complaints checked by TERM Cells	Non-compliant CAFs	Percentage of non-compliant CAFs	Penalty imposed (₹ in crore)	Penalty recovered (₹ in crore)
AIRCEL	4606	1476	32	23.29	1.83
BAL	12697	6984	55	35.32	18.43
BSNL	3058	449	15	17.48	0.28
ICL	3643	1415	39	7.25	2.90
RCL	7610	475	6	8.12	0.75
TTSL	6917	5780	84	37.34	2.91
Vodafone	7439	745	10	6.18	0.18
Total	**45970**	**17324**		**134.98**	**27.28**

(Source: Data furnished by DoT)

From the Table above, it is evident that the compliance level of most of the service providers was found to be very poor in cases of complaints/surprise checks by TERM Cells. In the case of some of the service providers, such as Tata Teleservices and Bharti Airtel, the non-compliant CAFs were as high as 84 and 55 *per cent* respectively.

The percentage of non-compliant CAFs in the case of regular monthly audits by TERM Cells ranged between 4 and 15 *per cent* (Refer Table-3) during the period 2009 to 2012 whereas in the case of surprise checks carried out by TERM Cells, it ranged between 6 to 84 *per cent* during the same period. This indicated that the findings of TERM Cells regarding non-compliance during regular monthly audits could not be relied upon as surprise checks had revealed non-compliance to a large extent. Hence the system of detecting non-compliance by DoT also could not be fully relied upon. Further, the recovery of penalty imposed was poor as DoT could recover only ₹27.28 crore (20 *per cent*) out of total penalty of ₹134.98 crore imposed on the service providers.

The Ministry in its reply stated (February 2013) that verification of other than monthly CAF Audit was mostly limited to cases received through Law Enforcement Agencies (LEA) and were generally the cases which were found to be non-compliant or suspected by them. Further, these cases also include the cases inspected by the TERM Cells based on the feedbacks received by them and thus comparison of other than monthly CAF Audit with monthly CAF Audit which was solely on random selection was likely to lead to wrong conclusions.

The reply of the Ministry is not convincing as orders relating to other than monthly CAF Audit provides for audit of cases referred from LEAs, cases of complaints, cases discovered during investigation of bulk cases, surprise checks etc and are not limited to LEA referred cases. Further, the CAFs checked under the other than monthly CAF Audit were from the same subscriber base from which the sample CAF's were drawn for monthly CAF Audit and hence results should be comparable. Notwithstanding, the purpose of CAF Audit was solely for achieving 100 *per cent* subscriber verification by the service providers and the high non-compliance of up to 84 *per cent* as shown in Table-5 especially in cases referred by LEAs etc raises serious concerns of national security.

2.1.6.4 Penalty not recovered by the TERM Cells

The Cellular Mobile Telecom Service/Unified Access Service (CMTS/UAS) license conditions inter-alia provide that 'the licensee shall ensure adequate verification of each and every customer before enrolling him as subscriber. Instructions issued by the licensor in this regard from time to time shall scrupulously be followed' and 'the Licensor may also impose a financial penalty not exceeding ₹50 crore for violation of terms and conditions of licence agreement'. From April 2007, DoT introduced penalty of ₹1000 per violation of subscriber number verification. In December 2008, DoT reviewed the situation and observed that the service providers were not complying with the requirement of subscriber verification fully. Hence, DoT introduced graded scales scheme of penalty for subscriber verification failure cases to act as a deterrent. According to the scheme, the correct subscriber verification percentage vis-à-vis financial penalty per unverified subscriber is given in the Table-6 given below:

Table-6
Statement showing graded scale of financial penalty

(Amount in ₹)

Correct subscriber verification percentage in a service area.	Amount of financial penalty per unverified subscriber
Above 95	1000
90- 95	5000
85- 90	10000
80- 85	20000
Below 80	50000

(i) We observed that although DoT was aware that the service providers did not comply with the subscriber verification fully, it did not invoke imposition of financial penalty of up to ₹50 crore for violation of terms and conditions of licence agreement in even a single case so as to deter the service providers from non-compliance of their directions.

(ii) We further noticed that out of ₹2506.80 crore of penalty levied by DoT and the TERM Cells during 2009 to 2012 for defective CAFs, the service providers had paid only ₹389.85 crore as detailed in the Table-7 given below:

Table-7
Penalties imposed, paid and outstanding during 2009-12

(₹ in crore)

Sl No	Service Provider	Penalty imposed during 2009 to 2012 by DoT	Penalty paid by Service providers	Difference (Outstanding Penalty)	Percentage realization
1	AIRCEL	474.06	71.75	402.31	15
2	BAL	616.61	113.81	502.80	18
3	BSNL	328.45	59.03	269.42	18
4	ICL	100.83	26.68	74.15	26
5	RCL	628.70	33.94	594.76	5
6	TTSL	88.37	17.90	70.47	20
7	Vodafone	269.78	66.74	203.04	25
	Total	**2506.80**	**389.85**	**2116.95**	

(Source: Data furnished by DoT)

Some of the major service providers such as RCL, BAL, AIRCEL and BSNL had huge outstanding penalty of ₹595 crore, ₹503 crore, ₹402 crore and ₹269 crore respectively. Further, the percentage of realization ranged from 5 *per cent* to 26 *per cent* indicating poor realization of penalty by DoT.

(iii) We found that the DoT merely relied on imposition of penalty on service providers for achieving 100 *per cent* subscriber verification. Imposition of penalty did not prove to be an effective deterrent for the service providers to comply with 100 *per cent* subscriber verification. Mere imposition of penalty by DoT without realising the same from the service providers defeated the purpose for which the penalty was levied.

The Ministry in its reply stated (February 2013) that the TSPs had disputed the method of penalty calculation and they were depositing the penalty as per the interim orders dated 18 May 2011 of Telecom Disputes Settlement and Arbitration Tribunal (TDSAT).

TDSAT had given the final verdict (April 2012) in favour of the TSPs which reduces the penalty amount significantly. Instructions had been issued by DoT to re-calculate the penalty amount as per income tax slab with effect from May 2012 in accordance with the TDSAT judgment. However, decision in respect of earlier months was yet to be taken and the gap of penalty imposed and collected would remain unresolved till the final decision was taken on cases belonging to past three years.

The reply is however not tenable on account of the following pronouncement of TDSAT.

1. The matter relating to the security of the nation so far as conduct of telegraph is concerned can be implemented through conditions of license.

2. The service providers cannot be permitted to question the circular letters issued by DoT relating to penalties.

3. DoT cannot be said to have acted illegally and without jurisdiction relating to making inspection and imposition of penalties.

Inspite of having a favorable judgment from TDSAT in May 2012, DoT even after a lapse of eight months, failed to issue instructions for recovering the penalties from the service providers for earlier periods up to April 2012. Consequently huge amount of penalty as shown in Table-7 remained unrealized from the service providers.

The Ministry further stated (February 2013) that penalty was initially being collected by the License Fee Cell at DoT Headquarters and shifted to Pay and Accounts Office, DoT from July 2010. Subsequently it was decentralized to Controller of Communication Accounts office of the concerned licensed service areas. Hence consolidated and reconciled information for five years was not available and the complete refinement of data was likely to take a long time especially due to acute shortage of staff in TERM Cells.

The reply of the Ministry itself indicated that DoT did not have proper data relating to penalties levied on the service providers and in the absence of details of penalty levied, its realisation remained doubtful.

Conclusion

With the emergence of mobile telephony in a big way, besides its capability of seamless integration of digital world, the threat of mobile telephony to national security has increased manifold. Even though a number of directions and compliance orders were issued by DoT, we observed that despite seven years of initiating the process, the concern of national security was not adequately addressed. 100 *per cent* subscriber verification could not be achieved by the service providers due to ineffective monitoring and weak control by DoT and the TERM Cells. Further, as DoT had restricted its audit checks to 0.1 *per cent* of the total subscribers of each service provider, large number of the non-compliant CAFs went undetected and the penalty amounting to ₹2116.95 crore remained unpaid by seven telecom service providers.

Recommendations

- ***DoT should devise and implement a comprehensive subscriber verification policy and ensure timely issuance of orders for achieving 100 per cent subscriber verification aiming towards strengthening the national security.***

- ***DoT should effectively monitor the implementation of subscriber verification by service providers on half yearly basis, Service Area wise/Service Provider wise and take specific corrective measures.***

- ***DoT should monitor levy of penalty by TERM Cells and enforce its recovery from the service providers without delays.***

The Ministry in its reply (February 2013) stated that the action was taken from time to time. Further, comprehensive and stricter norms had been issued by DoT in August 2012 based on the recommendations of Joint Expert Committee formed by Hon'ble Supreme Court. The Ministry further stated that the DoT was monitoring compliance on monthly basis through sample CAF verification process and compliance percentage was increasing with time. Instructions had also been issued to CCAs to en-cash the FBG, if penalty remains unpaid without any court directions to this effect.

The reply of the Ministry was partially acceptable. However, the Ministry despite issue of various instructions from time to time had not been able to ensure achievement of its key objective of national security by getting the 100 *per cent* subscriber verification conducted by the service providers even after a lapse of seven years of initiating of the process. The Ministry needs to implement its own instructions effectively and monitor the same closely so as to ensure that there is no compromise on national security for non-compliance of subscriber verification.

2.2 Shared Mobile Infrastructure Scheme

2.2.1 Introduction

Recognizing the importance of Communications in achieving the country's social and economic goals, Government of India envisaged in its New Telecom Policy of 1999, provision of Universal Service of Telecommunications facilities to all uncovered areas including rural, remote, hilly and tribal areas at affordable prices.

Accordingly a Scheme named 'Shared Mobile Infrastructure Scheme' was launched in 2007 by Department of Telecommunications (DoT) under 'Universal Service Obligation Fund' (USOF). The Scheme was to provide subsidy support for setting up and managing 7353 identified infrastructure sites for provisioning of mobile services in 500 districts spread over 27 states which were otherwise not covered through wireless or mobile services. Villages or clusters of villages with a population of 2000 or more were taken into consideration for the scheme. Each infrastructure site so created was to be shared by three service providers for provision of mobile services.

The scheme had two components:-

Part 'A': Setting up and managing infrastructure sites (land, tower, power, security, civil and electrical works) by Infrastructure Providers (IPs) with subsidy support as a percentage of capital recovery for setting up the infrastructure.

Part 'B': Provisioning of mobile services by Universal Service Providers (USPs) by installation of Base Trans-receiver Stations (BTS) on towers/ infrastructures with subsidy support as a percentage of capital recovery for providing the equipment at the infrastructure sites.

The operation and maintenance expenses of the infrastructure site were to be shared by the Universal Service Providers (USPs) using that site for provisioning of mobile services.

Tenders were invited by DoT in January 2007 for 81 clusters both for setting up, managing infrastructure sites and provision of mobile services in specified rural and remote areas from Basic Service Providers, Cellular Mobile Telephone Service Providers, Unified Access Services Licensees and Infrastructure Providers. The agreements were signed (June 2007) with seven[9] successful bidders for providing infrastructure sites, who had quoted the lowest subsidy for a cluster. As per the agreement, the infrastructure sites

[9] Bharti, BSNL, Aircel (Dishnet), Idea, RCL, RTL and Vodafone (Hutch)

were to be made ready by June 2008 but considering the difficulties faced in remote areas mostly in north eastern region, two extensions were granted postponing date of completion to August 2011. Against the target of 7353 towers/infrastructure sites required to be commissioned, 7307 were actually commissioned. The work was almost complete (99.37 *per cent*) as on 31 August 2012. A subsidy of ₹234.30 crore had also been paid to the infrastructure providers (up to March 2012) as per the scheme.

For implementation of the second part of the scheme, the Department selected 14 USPs to provide mobile services in identified areas. The agreement with the USPs was valid for six and half years from the effective date i.e. 1st June 2007 (one year for last rollout, five years subsidy period and half year for delayed period, if any). Further as per the Operating Conditions of Part-B of the agreement, the USPs were to provide mobile services from each of the sites within two months of commissioning of the infrastructure site by the IPs.

Against the target of 22059 Base Trans-receiver Stations (BTS), the IPs made ready 21921 sites out of which only 15767 BTS (71.93 *per cent*) were installed till 31 August 2012 as detailed in the Table-1 below:

Table - 1
Status of installation of BTSs

Name of USP (Group company)	No. of sites from which services are to be rolled out by USPs	No. of BTS to be commissioned against tower sites made ready by IPs	No. of sites from which services were rolled out	Sites not rolling out services	Short fall percentage
Bharti*	1174	1173	1126	47	4.00
BSNL	5311	5268	5109	159	3.02
Aircel* (Dishnet)	1586	1544	914	630	40.80
Idea*	2630	2627	2540	87	3.31
RCL	4774	4771	1633	3138	65.77
RTL	3641	3599	1886	1713	47.60
Vodafone* (Hutch)	2943	2939	2559	380	12.93
Total	**22059**	**21921**	**15767**	**6154**	**28.07**

(Source: Information as furnished by the Administrator, USOF)

**Group of companies*

2.2.2 Audit Findings

Scrutiny of records of the Administrator (USO Fund), DoT Headquarters and Offices of Controller of Communication Accounts relating to Shared Mobile Infrastructure Scheme (July 2011 to August 2012) revealed a number of deficiencies such as defective subsidy support agreement with USPs, non-provisioning of mobile services to uncovered areas, non-recovery of penalty and ineffective penal clause in Service Level Agreement etc as enumerated below:

2.2.2.1 Defective agreement -Non-rollout of services by M/s RCL, M/s RTL, M/s Aircel and M/s Vodafone as USPs

As per the agreement (Clause 6 of Section-VI) forming part of the bid documents, the amount of Liquidated Damages (LD) chargeable for delay in provisioning of mobile services ranged between 5 to 10 *per cent* of annual subsidy. The Performance Bank Guarantee (PBG) (Clause 3 of Section-VII) would be 5 *per cent* of the subsidy payable to the bidder, which could be forfeited by the Administrator in case of failure of performance of terms and conditions by the USP. Thus, both the safeguards were linked to the amount of subsidy claimed by the successful bidder in his bid. While a bidder to be successful should have quoted lowest subsidy, a successful bid with minus or negative subsidy could not attract LD or PBG but could also be a successful bidder. This fact regarding ensuring safeguard of LD or forfeiture of PBG even for those bidders who quoted minus or negative subsidy was neither envisaged at the time of finalizing the scheme nor at the time of calling for bids.

We observed that in the final bid under part-B of the scheme, in 74 out of 81 clusters, the successful bidders quoted negative or zero bids. The agreements thus signed with these bidders did not have any LD or PBG clause to protect the interest of DoT in case of non fulfillment of any conditions by the USPs.

As per the agreement, USPs were to provide the mobile services within two months of the commissioning of the Infrastructure Site by the IP. However, we observed that the performance of the USPs, mainly M/s RCL, RTL, Aircel and Vodafone in respect of commissioning of mobile services was very poor. Against 12853 sites which were made ready by the IPs for provision of services, the USPs could provide services only from 6992 sites (August 2012). The details of sites due and the sites from which the services were not rolled out by these four USPs as well as the percentage of short fall is given in the Table-2 below.

Table - 2
Details of sites due, services rolled out and not rolled out by four USPs

Name of USP	No. of sites from which services are to be rolled out	No. of sites from which services were rolled out	No. of sites where services were not rolled out	Percentage of short fall
Aircel	1544	914	630	40.80
RCL	4771	1633	3138	65.77
RTL	3599	1886	1713	47.60
Vodafone	2939	2559	380	12.93
Total	**12853**	**6992**	**5861**	**45.60**

(Source: Information furnished by the Administrator, USOF)

Further, due to non-inclusion of adequate safeguards and penal clauses in the agreements with USPs in case of non/delayed roll out of services, no action could be taken against the defaulting USPs.

In view of zero/negative bidding by the USPs, the department should have made suitable amendments/modifications in the agreements regarding penalty for non roll out of services before evaluating the bids by the Department in consultation with the bidders.

The Ministry stated (December 2012) that 15895 BTS i.e. 72.48 *per cent* of BTS have been installed till 31 October 2012 for provisioning of mobile services from 7310 tower sites. 7310 of 7353 towers have BTS installed and radiating; thereby benefitting approximately 99 *per cent* of the villages/sites. Under this circumstance the objective of the scheme is achieved to a very high extent. Therefore, one of the objectives of the scheme i.e. setting up of infrastructure in rural & remote areas for provisioning of mobile services has been achieved.

The presence of even one BTS radiating from each tower entails achievement of the objective and hence, the second objective of the scheme i.e. provisioning of mobile services have also been achieved.

The reply of Ministry that both the objectives of the scheme had been achieved was not acceptable in view of the fact that the second objective of provisioning of mobile services to the uncovered areas was not fully achieved. The mobile services from 6026 sites[10] were not rolled out to the proposed areas till 31 October 2012 by the USPs thereby depriving customers of availing the choice of competitive services despite the creation of infrastructure sites for which subsidy was paid to the Infrastructure Providers. Further, DoT was unable to enforce the roll out obligations on USPs due to non-inclusion of any

[10] total BTS to be commissioned 21921 less number of BTS commissioned 15895

LD or PBG clause in the agreements in case of zero/negative bidding by the USPs. Due to non-rolling out of services by the USPs, the burden of sharing operating and maintenance charges of these 6026 sites by other existing USPs would also increase.

Thus due to inadequate safeguards in the agreement, the Administrator, USOF/DoT was unable to take any action on the non-performing/defaulting USPs.

2.2.2.2 Non-provision of mobile services in 290 sites by USPs despite subsidy paid to the IPs for creation of infrastructure sites

We observed that in six Telecom Circles (Maharashtra, Odisha, Madhya Pradesh, Chhattisgarh, North East-II & Bihar) 3488 numbers of infrastructure sites were commissioned by the IPs under the Scheme. However, no mobile services were provided by a single USP in 290 sites even after 18 to 36 months of their commissioning as of March 2012. The Department had paid ₹5.67 crore to the IPs towards subsidy (till March 2012) in respect of 290 sites as detailed in the Table-3 given below:

Table - 3

Details of subsidy paid to Infrastructure Providers (IPs) for the sites from which mobile service was not provided

Sl. No.	Name of Telecom Circle	No. of Sites Commissioned by March 2012	No. of sites from where mobile service not provided by any USPs (March 2012)	Amount of subsidy paid to IPs for these site(i.e. Non radiated sites) up to March 2012 (₹ in lakh)
1	Maharashtra	956	31	29.10
2	Odisha	429	142	243.02
3	MP	933	14	23.57
4	Chhatisgarh	552	11	57.68
5	North East II	165	61	168.64
6	Bihar	453	31	45.15
	Total	**3488**	**290**	**567.16**

(Source: Data collected from CCA Offices of DoT)

Further, in four Telecom Circles (viz. Maharashtra, Uttar Pradesh (East), UP (West) & Uttarakhand), out of 1582 commissioned sites, 474 sites were radiated by USPs with delays up to 949 days. The subsidy of ₹4.09 crore paid to the IPs for managing these 474 sites during non radiation period was thus rendered unfruitful as detailed in the Table-4 below:

Table - 4

Delays in rolling out services by USPs and subsidy paid to IPs during non-radiation period

(₹ in crore)

Sl. No	Name of the Circle	No. of sites commissioned	No. of sites in which service was delayed	Period of delay (no. of days)	Amount paid as subsidy to IPs during non-radiation period
1	Maharashtra	956	85	20 to 949	1.43
2	UP (East)	369	234	06 to 624	1.60
3	UP (West)	73	23	04 to 60	0.03
4	Uttarakhand	184	132	01 to 773	1.03
	Total	**1582**	**474**		**4.09**

(Source: Information furnished by the CCA offices)

On this being pointed out by us, the Ministry replied (December 2012) that there were separate agreements with the IPs and USPs and the subsidy was being disbursed as per the terms and conditions of the respective agreement. In fact, the subsidy paid to IPs was in lieu of the cost of infrastructure incurred by them and was not remuneration for radiation of mobile services. Nothing undue had been paid to the IPs. The infrastructure so created would be utilized in future also for services in rural and remote areas even after the expiry of the USOF agreement and the USPs would continue services even after the expiry of the subsidy period and hence subsidy paid to IPs could not be rendered unfruitful.

The reply of the Ministry was unacceptable since audit objection was not on the justification for payment of subsidy to IPs as a whole but specifically only on the subsidy paid to the IPs for managing 290 sites where services had not started and 474 sites where services were provided with abnormal delays during non-radiation period. Since these sites did not radiate for considerable time periods, the subsidy paid to them was not justified. Further, the DoT had not been able to take action on USPs who had not radiated/delayed the services from the sites which were made ready by the IPs. As a result, the villages proposed under the Scheme from these sites were left uncovered with mobile services.

2.2.2.3 Non-recovery of Penalty for interruptions/downtime in services

Clause 2.3 of the Financial Conditions of the Part-B agreement stipulates that a penalty shall be payable by the USP on pro-rata basis on account of prolonged interruptions of service due to any reason. The USPs shall furnish the details of interruption/downtime of the service along with the payment statement as per prescribed 'proforma'. Further, clause 2.4 stipulates that no penalty shall be payable in case of interruption of mobile services for a period up to 7 days in a quarter. Penalty @ ₹500 per day shall be payable if there is interruption in service for more than 7 days in a quarter. However, if there is interruption in services for 45 days or more in a quarter, penalty shall be payable for the whole quarter.

It was noticed in Odisha and Karnataka Telecom Circles that USPs did not furnish the requisite information related to interruptions/downtime to CCA office regularly in the prescribed format**.** On being pointed out by us, demands were raised by Odisha Circle against the USPs i.e. M/s Bharti Airtel Ltd (BAL) and M/s Dishnet Wireless Ltd. (DWL) for ₹12.02 lakh. M/s BAL and M/s DWL (Aircel) stated that interruptions in services were on account of infrastructure related failures which were to be attended by IPs and penalty could not be levied on them. Karnataka Circle raised a demand for ₹53.84 lakh on M/s. Bharti Airtel after being pointed out by audit and recovery was awaited. In Madhya Pradesh Telecom Circle, CCA Office levied a penalty of ₹2.48 crore for interruption/downtime of services on M/s. IDEA for the period from April 2008 to March 2011 but no payment was made to DoT so far. CCA Office Bhopal replied (July 2012) that the matter had been referred to DoT.

The penalty of ₹3.14 crore levied on four USPs for down time/ interruptions in service as indicated in the Table-5 given below had not been realized by DoT.

Table - 5

Details of Penalty of ₹3.14 crore levied on four USPs, for down time/ interruptions in service not realized by DoT

Sl. No.	Name of Telecom Circle	Name of USPs	Amount of penalty to be recovered (₹ in lakh)	Period
1	Madhya Pradesh	IDEA	248.25	2008-09 to 2010-11
2	Odisha	Bharti Airtel	9.62	April 2010-March 2011
		DWL (Aircel)	2.40	April 2010-March 2011
3	Karnataka	Bharti Airtel	53.84	Oct.2008-Dec.2011
		Total	**314.11**	

(Source: Data collected from the CCA offices.)

The Ministry in their reply stated (December 2012) that as per the information received from the respective CCA Offices, there had been delay on part of the USPs in submission of details of interruption/downtime in service in some of the Circles which delayed the process of calculation/levy of penalty by CCAs and the above Circles were pursuing the matter with the USPs concerned for deposit of penalty as pointed out by Audit.

The reply of the Ministry itself reflected that the Internal Control Systems of the field offices for levying and recovery of penalties for down time/interruptions were weak and required to be strengthened. Realization particulars of the penalty pointed out by audit were awaited (December 2012).

2.2.2.4 Weak and ineffective penal clauses in the Service Level Agreements leading to non-payment of Operating Expenses by USPs and increasing the burden on Infrastructure Providers (IPs)

BSNL successfully bid for 63 clusters out of 81 clusters as IP for setting up and managing infrastructure sites and entered into agreement with DoT (May 2007) for a period of six and half years. As per the sub clause (vii) & (viii) of Clause 1 of Commercial Conditions of the agreement under Part-A of the Scheme, these infrastructure sites were to be shared for a period of five years by three USPs on payment of operational expenses to the IP (BSNL) for providing mobile services.

For this purpose, the IPs had to enter into Service Level Agreements (SLAs) with the USPs. The USPs were required to pay the fixed maintenance charges and recurring operating expenses to the IP on shareable basis. The USPs were also required to pay rolling advance towards reconciliation of the expenses on periodical basis as per the procedure laid down in SLA. The SLA stipulated payment of rolling advance and fixed maintenance charges within 15 days of receipt of invoices. USPs were liable to pay interest @ 2 *per cent* per month for the period of default on any fee or other amount payable to the IPs.

Our scrutiny (May 2012) of records available with the Principal General Manager (Electrical) BSNL, Corporate Office and information furnished by them in October 2012, revealed that the outstanding from five USPs increased to ₹123.00 crore by the end of August 2012 from ₹109.38 crore as at the end of March 2012 as given in the Table-6 below:

Table - 6

Statement showing Outstanding Dues (Operating &Maintenance Charges for USO Infrastructure sites) to BSNL

(₹ in crore)

Universal Service Provider Group	Outstanding Amount as on August 2012
Reliance	78.10
Vodafone	16.17
Idea	10.80
Airtel	2.24
Aircel	15.69
Total	**123.00**

(Source: Information furnished by BSNL Corporate Office)

Out of the total amount of ₹123 crore outstanding from the Universal Service Providers, the outstanding from M/s Reliance constituted 63.50 *per cent* (₹78.10 crore) of the total dues payable to BSNL as IP. In respect of M/s Airtel, the outstanding dues have come down from ₹3.14 crore (March 2012) to ₹2.24 crore (August 2012) and in respect of M/s Aircel, the dues increased from ₹10.01 crore (March 2012) to ₹15.69 crore (August 2012). In respect of M/s Idea Cellular, the dues increased from ₹9.79 crore to ₹10.80 crore during April to August 2012.

We observed that there was no clause in the SLA to take action either by BSNL or by DoT to rescind the agreement for non-payment of operating expenses and hence this had resulted in unwarranted burden on BSNL as IP.

The Ministry replied in December 2012 that the IPs and USPs should resolve their issues mutually in accordance with the SLA(s) signed by them. USOF HQ had requested the IPs/USPs, time and again, to resolve their issues mutually in accordance with the SLA(s) signed by them to ensure smooth and uninterrupted mobile services from USOF towers and this is more by way of an administrative persuasion which is beyond the scope of legal contract between the parties themselves.

The reply of the Ministry itself strengthens the audit observations that it had no control over the defaulting USPs which led to accumulation of dues from USPs to the extent of ₹123 crore (August 2012) payable to BSNL. Further, the defective subsidy support agreements provided undue benefit to defaulting USPs who did not provide the mobile services as agreed to or provided services but with significant interruptions and downtime.

Conclusion

Shared Mobile Infrastructure Scheme of DoT under Universal Service Obligation Fund had been successful in terms of setting up and managing infrastructure sites by the Infrastructure Providers (IPs) as more than 99 *per cent* of target was achieved. However, the main objective of providing wireless or mobile services to uncovered areas including rural, remote, hilly and tribal areas under the scheme was deficient and achieved to the extent of 72 *per cent* as services from 6026 sites created by IPs were not rolled out by the USPs till October, 2012. Further, ₹9.76 crore was paid by DoT as subsidy to the IPs (for managing 290 sites where services were not started by any USP and 474 sites where services were provided with abnormal delays) during non-radiation period.

Further, in the absence of adequate safeguards and penal clauses in the agreement, no action could be taken on the non-performing/defaulting USPs for non/delay in roll out of services. Office of the Administrator, USOF (DoT Hqrs) also did not ensure inclusion of an effective clause in the SLA for taking penal action by DoT in the case of any dispute between the IPs and USPs or against defaulting USPs for non-payment of operating expenses to the IPs.

2.3 Violation of terms and conditions of USOF/UAS Licence Agreement by Reliance Group Companies

Unilateral switch off of mobile services by M/s RCL and M/s RTL in violation of terms and conditions of USOF/UASL Agreement resulted in depriving affordable mobile services to the specified rural and remote areas of the Country allotted to them

A Scheme named 'Shared Mobile Infrastructure Scheme' was launched in January 2007 by Department of Telecommunications (DoT) under Universal Service Obligation Fund (USOF) to provide financial support to Universal Service Providers (USPs) for setting up and managing 7353 identified infrastructure sites located in 500 districts, spread over 27 States. These sites were not covered through wireless or mobile services. Villages or clusters of villages with a population of 2000 or more were taken into consideration. Each infrastructure site so created by Infrastructure Providers (IPs) was to be shared by three USPs for provision of mobile services.

The Scheme was to be implemented in two concomitant parts viz.; Part-A for setting up of infrastructure sites in order to cater to the requirement of USPs by sharing this infrastructure for providing mobile services and Part-B for provisioning of mobile services by USPs (UAS/CMTS Licensees) by installation of Base Trans-receiver Stations (BTSs) with associated antennas and backhaul[11].

In January 2007, DoT invited tenders for 81 identified clusters[12] both for setting up & managing infrastructure sites (under Part-A) and provision of mobile services in specified rural and remote areas (under Part-B) from Basic Service Providers, CMTS Providers, UAS Licensees and Infrastructure Providers(IPs).

For implementation of Part-B of the Scheme, the Department selected 14 USPs through bidding process which had UAS/CMTS licenses in the concerned service areas for provisioning of mobile services in identified rural and remote areas and subsequently entered into an agreement with 14 USPs under the USOF. The Agreement with USPs was valid for six and half years from the effective date i.e. 01 June 2007. On completion of period of agreement, USPs were required to provide mobile services as per provision of UASL Agreement.

M/s Reliance Communications Ltd (M/s RCL) and M/s Reliance Telecom Ltd (M/s RTL) were amongst the selected 14 USPs for provision of mobile services in specified rural and remote areas in the Service Areas (SAs) in which they had UAS licenses. Agreements were signed by M/s RCL and M/s RTL in May 2007 with the Administrator, USOF[13] for provision of mobile services in 53 clusters[14] (5118 sites) and 40 clusters[15] (3864 sites) respectively out of the 81 identified clusters under Part-B of the Scheme.

Scrutiny of records (June-July 2012) revealed that M/s RCL and M/s RTL had unilaterally switched off 1191 and 228 BTSs out of 1607 and 1598 commissioned BTSs respectively w.e.f 22 November 2010. The reasons attributed by the two companies for switching off was stated to be due to non-fulfilment of roll out commitments by IPs in time and huge delays on the part of IPs which disturbed the project dynamics leading to blocking of huge sums of capital. It was further stated that providing mobile services in many low potential clusters which had a strong presence of other operators was extremely unviable. Most of the sites also did not have State Electricity Board (SEB) power connectivity leading to high operating costs.

11 Backhaul is the connection from the base station to the core network by taking the traffic from the base station and backhauling it to the network

12 These clusters were located in different Service Areas (SAs) for which UAS licenses have been awarded by the DoT to several licensees in each SA.

13 Government established the USOF by an Act of Parliament and is headed by the Administrator, appointed by the Central Government. He is empowered to formulate procedures for implementation of USO Fund Schemes and disbursement of funds from USOF.

14 These clusters are located in 17 States.

15 These clusters are located in 10 States

The reasons cited by M/s RCL and M/s RTL for switching off the BTSs were however, not agreed to by the Ministry. Accordingly, a Show Cause Notice (SCN) each to M/s RCL and M/s RTL was served by Administrator, USOF on 21 December 2010 and 06 January 2011 respectively to explain within 15 working days asking them as to why action should not be taken to impose a financial penalty not exceeding ₹50 crore under clause 10.2 (ii) of UASL Agreement for violation of terms and conditions of licence agreement and also to blacklist them from participation in all future schemes supported by USOF.

As no response was received from M/s RCL and M/s RTL within the prescribed time limit, a proposal for levy of penalty under clause 10.2 (ii) of UASL Agreement was mooted (31 January 2011) by the Ministry. While the proposal was under consideration, the reply (dated 16 February 2011) to the SCN was received by the Ministry. However, even before the same was examined, the Ministry imposed a penalty on M/s RCL and M/s RTL on 18 February 2011 under clause 2.3 and 2.4 of Section VII “FINANCIAL CONDITIONS” of USOF Agreement (Part B-II). The reasons given by the Ministry for imposition of the penalty under the above clause was stated to be on account of clearly “inbuilt” penal provisions which exist in RCL-USOF Agreement which provide for deduction in subsidy on pro-rata basis as well as penalty @ ₹500/- per day respectively in case of prolonged interruption.

Audit observed that the action of M/s RCL and M/s RTL to switch off unilaterally from the radiating BTS was irregular and violated the terms and conditions of not only the USOF Agreement but also the UASL Agreements due to the following reasons:

I. While Clause 1 Section III “GENERAL CONDITIONS” of USOF Agreement states that it is subject to terms and conditions of BSO/CMTS/UASL license, Clause 1.1 Section VI “OPERATING CONDITIONS” of the USOF Agreement (Part B-II) states that the terms and conditions of the BSO/CMTS/UASL License Agreement, as applicable, shall prevail and shall be binding mutatis mutandis. Thus USP has to comply with the terms and conditions of BSO/CMTS/UASL license as applicable.

II. As per clause 30.3 of Part V “OPERATING CONDITIONS” of UASL License Agreement, the licensee shall have to ensure continuity of services to the customers unless license is terminated or suspended by the licensor for any reason what so ever. Clause 10.3 of Part-I "GENERAL CONDITIONS" of UASL Agreement further provides that even if the Licensees wish to surrender their license, they have to give 60 days' notice to the Licensor and notify all its customers by sending a 30 calendar days notice to each of them.

III. Clause 6.1 of Section-III “GENERAL CONDITIONS” of the USOF Agreement states that on expiry of the USOF Agreement period, the responsibility of operation & maintenance of the equipment installed and provision of mobile services shall lie on the owner operator i.e. USP.

Thus, any rollout by the Telecom Service Provider, irrespective of whether the rollout was financially supported by USOF or not, was essentially a part of BSO/CMTS/UASL rollout and had to be maintained by the Service Provider.

In response to the Audit observations (August 2012), the Ministry stated (October 2012) that:

I. The decision on imposition of penalty was limited to the USOF Agreement, while deciding SCN dated 21 December 2010 issued by USOF (and not Licensor-DoT). Separate SCN (if necessary) could only be initiated by the Licensor in order to invoke penal provisions of UAS/CMTS Licenses.

II. The agreement between USOF and M/s RCL and M/s RTL was a contractual agreement for limited purpose of USOF mobile towers.

III. While passing the order dated 18 February 2011, the Competent Authority had clearly exercised his discretion judicially and after taking into account all relevant factors.

The reply given by the Ministry is not acceptable due to the following reasons:

- As per the clause 1.1 Section VI "OPERATING CONDITIONS" of the USOF Agreement (Part B-II), the terms and conditions of BSO/CMTS/UASL Agreement, as applicable, shall prevail and shall be binding mutatis mutandis.

- The USOF Agreement does not provide for switching off of mobile services. The USOF Agreement only provides for action to be taken on account of prolonged interruptions due to any reasons (non-availability of electrical power, backhaul etc) as given in Annexure-10 of para 2.3 of Section VII "FINANCIAL CONDITIONS" of USOF Agreement (Part B-II). While USPs shall continue to provide the services under Clause 12.3 Section III "GENERAL CONDITIONS" of USOF Agreement for the whole duration of the Agreement, M/s RCL and M/s RTL had switched off the commissioned BTSs voluntarily, deliberately and unilaterally without ensuring continuity of service to customers and without giving any notice to the licensor/subscribers which was in contravention and violation of the terms and conditions of USOF Agreement as well as UASL Agreement.

- Regarding the issue of a separate SCN by the Licensor, Audit observed that the learned Attorney General opined (20 May 2012) on issue of separate SCN that whilst the issuance of afresh SCN would be legally permissible, there may be serious questions as to whether action of issuing a SCN afresh at this stage would be sustainable in the law. Thus while the opinion of the Attorney General clearly indicated the non-sustainability of issuance of afresh SCN, the opinion also implies that the levying of penalty under USOF Agreement had weakened the position of the department regarding issuance of afresh SCN under UASL Agreement.

- The argument put forth by the Ministry for imposing penalty under USOF Agreement on the basis that the agreement between USOF and M/s RCL and M/s RTL was a contractual agreement for limited purpose of USOF mobile towers is incorrect. For the purpose of provision of mobile towers other agreements were entered into by the Administrator, USOF with various infrastructure providers which relate to setting up of infrastructure sites in order to cater to the requirement of service providers by sharing this infrastructure for providing mobile services for which agreements were entered into between USPs and IPs. The present case is regarding violation of operating terms and conditions of USOF and UASL Agreements by deliberate and unilateral switch off of radiating BTS by M/s RCL and M/s RTL resulting in the shutting off of mobile services in specified rural and remote areas of the country which had been allotted to them as per their bid under the Shared Mobile Infrastructure Scheme.

- Further as informed by the Ministry, a committee was constituted under the Chairmanship of Secretary (T) on 15 July 2011 to consider all aspects of delay in rollout of mobile services under the Shared Mobile Infrastructure Scheme of USOF. Scrutiny of records available to audit showed that even though there was no material change in the position of the case from the date (February 2011) when the order was issued regarding levy of penalty under para 2.3 and 2.4 Section VII of USOF Agreement and constitution of the committee on 15 July 2011, the Hon'ble Minister of MoC&IT directed on 16 July 2011 as given under:

  "Now that the penalty under Clauses 2.3/2.4 of Section VII of the Agreement between USOF and M/s RCL has already been imposed on account of "interruption" of services, we need to ascertain the reasons why the Licensee decided unilaterally to discontinue the services sometime in November, 2010. Appropriate steps should be taken to ascertain from the Licensee the reasons and circumstances, under which such unilateral decision was taken by him, leading to avoidable inconvenience to subscribers. Upon receipt of the Licensee's response, along with other data necessary to take an informed decision, action, if necessary, be initiated under UASL by the appropriate authority in the Department of Telecommunications (i.e. Licensor)". Ministry thereafter referred the matter to the above committee.

As informed by the Ministry in its reply, the Committee in its report had also considered the issue of switch off of mobile services by M/s RCL and M/s RTL and has recommended in its report that "the mobile services provided by USPs under USOF scheme are to be continued even after expiry of the subsidy period in accordance with Commercial Conditions of the USOF Agreement." The Committee also stated that "it is evident from terms of USOF Agreement that mobile services are to be maintained by the USPs under its relevant Telecom Service License (UAS/CMTS License)."

Therefore, it is apparent that the decision to treat switching off of mobile services by M/s RCL and M/s RTL as mere interruption in services does not appear to have been taken after consideration of all relevant factors.

Further, clause 1.1 Section VI "Operating Conditions" of USOF Agreement (Part-B-II) provides that the provisions of the Operating Conditions of UASL Agreement shall prevail and shall be binding mutatis mutandis on the Agreement under USOF with M/s RCL and M/s RTL. Therefore, treating the act of M/s RCL and M/s RTL of unilaterally switching off the radiating BTSs in an arbitrary[16] manner as mere interruption of services under clauses 2.3 and 2.4 of USOF Agreement[17] by the Ministry instead of as violation of terms and conditions of the UASL Agreement under clause 10.2 (ii)[18] was unjustified.

[16] Without ensuring continuity of services and without giving any notice to the Licensor/Subscribers as stipulated in the UASL Agreement.

[17] Clause 2.3 of USOF agreement states that a penalty shall be payable by the USP on pro-rata basis on account of prolonged interruption of service due to any reason which are mentioned in Annexure-10 of clause 2.3. Clause 2.4 of USOF Agreement states that penalty @ ₹500 per day shall be payable if there is interruption in services for more than 7 days in a quarter.

[18] Clause 10.2(ii) of UASL Agreement states that "The licensor may also impose a financial penalty not exceeding ₹50 crore for violation of terms and conditions of licence agreement. This penalty is exclusive of Liquidated Damages as prescribed in the Licence Agreement."

CHAPTER-III
DEPARTMENT OF POSTS

3.1 Internal Control in Postal Accounts Offices of Department of Posts (DoP)

3.1.1 Introduction

Department of Posts (DoP) has a network of more than 1.54 lakh Post Offices throughout the country. It discharges core functions of providing Postal Services as well as Transport Services (Parcel and Logistics). DoP also provides Financial Services viz., Savings Bank Scheme, issue of Cash Certificates, Money Order and Insurance and several value added services such as Speed Post, Business Post, Express Parcel Post, Bill Mail etc. Besides management of Public Provident Fund, DoP is also engaged in disbursement of pension to Military, Railways, Coal Mines pensioners etc. on behalf of Ministry of Finance. DoP has also been disbursing MGNREGA wages through the post offices since year 2008 onwards.

The Secretary, DoP is the Chief Accounting Authority and also the Chairperson of Postal Services Board (PSB). The Joint Secretary and Financial Advisor to the Department render financial advice to the PSB.

There are 22 Postal Circles across the country, each headed by a Chief Post Master General (CPMG). For one or more Postal Circles, there is a Postal Accounts Office (PAO), headed by an officer of the rank of General Manager/Director/Deputy Director of Accounts. The PAO is under the administrative control of CPMG and under the functional control of the Deputy Director General-Postal Accounts and Finance (DDG (PAF)) located at Postal Directorate.

3.1.2 Function and Control of PAOs

As per Para 1.08 of Postal Accounts Manual Volume-I, at the Circle level PAOs receive, on the 1st day of each month, the Cash Account[1] accompanied by Cash Balance Report as well as vouchers and schedules from the Head Post Offices (HPOs) for the previous month. On the basis of the cash account, a Classified Abstract[2] is prepared depicting the receipts and payments under each head of account. The Classified Abstracts of all the

[1] Cash account is the receipts and disbursements of HPOs and the subordinate offices

[2] The Classified Abstract depicts monthly receipts and payments under various heads of account prescribed for the purpose of appropriation

HPOs are then compiled in the PAO and a Circle Abstract is prepared that is submitted to Postal Directorate for preparing the General Abstract. The Accounts of DoP are prepared on the basis of General Abstract. The PAOs also conduct the internal check and inspection of the postal units to rule out any irregularities like loss, misappropriation, defalcation etc.

3.1.3 Internal control to be exercised by PAOs

In order to ensure effective internal controls of the working of various postal units, PAOs exercise the following checks:

- Expenditure incurred is duly approved and sanctioned by the competent authority.
- Each item of receipt and expenditure is properly classified so that amounts under suspense heads are bare minimum.
- Timely reconciliation of Cash Certificates (CCs) and Money Orders (MOs).
- Timely dues claimed for services rendered to other department on their behalf and timely recovery thereof.

3.1.4 Scope of audit

We conducted the audit (June 2012 to August 2012) in 15 out of 22 randomly selected Postal Circles with a view to examine the efficiency and effectiveness of the internal controls in PAOs. Records, for the period 2009-10 to 2011-12, relating to Contingent Expenses, reconciliation of Post Office Schedules with Bank Scrolls, Cash Certificates, Money Orders and recoveries effected from other departments maintained in PAOs, were test checked. Audit findings were issued to the Ministry in November 2012 and the reply of Ministry was received in April 2013.

3.1.5 Audit Objectives

The audit was conducted to examine whether;

- ➢ existing internal control mechanisms ensure the proper checking and compilation of accounts as per the provisions of Postal Accounts Manuals,
- ➢ organisation responsible for internal check was working effectively and efficiently,
- ➢ existing internal control mechanisms are adequate amongst other factors to detect the cases of fraud, misappropriation,
- ➢ dues from other departments were being realised timely.

3.1.6 Sources of Audit Criteria

The sources of criteria used for audit scrutiny were Postal Accounts Manuals instructions, orders and circulars issued from time to time by the Competent Authorities.

3.1.7 Audit Findings

Audit findings relating to Internal Controls in PAOs highlighted significant deficiencies in the working of PAOs and instances of weak and ineffective internal control which are discussed below:

3.1.7.1 Compilation of accounts with respect to existing codal provisions

Rules relating to compilation of accounts are prescribed in P&T Financial Hand Book (FHB) Volume-I, Postal Accounts Manual Volume-I of 2006 and 2007 respectively and instructions issued by DoP from time to time. The relevant rules pertaining to compilation of accounts and deviations therefrom are discussed in the succeeding paragraphs.

(i) Non-adjustment of Contingent Expenses

Rule 364 to 367 of P&T FHB Volume-I, inter alia prescribe that Post Offices are required to prepare Abstract Contingent (AC)[3] Bills on the 10th and on the last working day of the month and send it to the PAO along with the monthly Cash Account. Monthly Detailed Contingent (DC)[4] Bills are prepared by Post Offices and sent to the Controlling Officer for countersignature along with all sub vouchers not later than 10th of the following month to which the charges relate. After countersignatures, these are sent to the PAO on or before 5th of the second month to which the charges relate. The PAO is then required to review the bills to bring to notice irregular use of AC Bills, if any, and issue reminders to Heads of Circles for prompt submission of DC Bills.

Audit scrutiny of records of 15 PAOs from 2009-10 to 2011-12 revealed that DC Bills amounting to ₹367.40 crore remained unadjusted as shown in **Annexure-II**. An analysis of data indicated in Annexure-II, showed the increasing trend in non-adjusted AC Bills from ₹84.57 crore in 2009-10 to ₹182.93 crore in 2011-12. The non-adjustment of outstanding Contingent Bills was fraught with the risk of misappropriation of Government money. Audit observed one such case where departmental authorities of

[3] Abstract Contingent charges includes all incidental and other expenses of contingent nature incurred for the management of an office which require the approval of the competent authority before they can be admitted as legitimate expenditure.

[4] Detailed Contingency Bills are those bills which is submitted with the approval of competent authority after expenditure incurred against the AC Bill drawn.

Bihar Circle in September 2010 found that entry of 3534 vouchers, relating to non-submission of DC Bills for the period February 2010 to September 2010 were fake. These bore false signatures of the countersigning authorities thereby facilitating fraudulent payment of ₹3.60 lakh for which action is being taken by the Department.

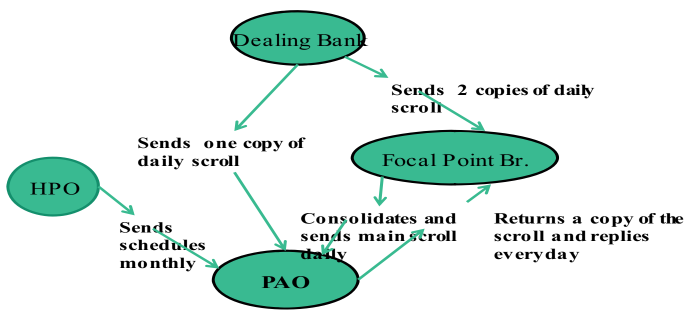
On this being pointed out by Audit, the Ministry stated (April 2013) that an amount of ₹70.57 crore out ₹367.40 crore has been adjusted by the Circles. It also stated that matter was being pursued vigorously to adjust the remaining amount. However, the facts remain that concerted efforts are to be made by the Department to ensure that AC/DC Bills were adjusted without delay.

(ii) Non-reconciliation of Post Office Schedules with Bank Scrolls

Rule 5.27 of Postal Accounts Manual Volume-I, stipulates that the items appearing in the Postal Schedule should be paired item-wise, with the Bank Scroll. The items remaining unlinked in the Bank Scroll or Postal Schedules should be transcribed with full details in two separate registers.

The procedure of reporting and accounting of transactions of DoP introduced from October 1993 involves the daily scrolls of drawings from/remittances into Bank being prepared by the dealing Bank separately in quadruplicate and one copy is sent to the PAO while another is retained as office copy. Two copies are sent to the 'Focal Point Bank'[5] with challan/cheques. The 'Focal Point Bank' then consolidates the scrolls received from various branches and prepares a main scroll and sends it to the Postal Accounts Office. The Postal Accounts Office is required to verify the duplicate copy of the main scroll with the daily scroll sent by dealing Bank and point out discrepancies every day to the Bank. One copy is sent to the HPO. A flow chart depicting the above procedure is shown below:

Flow chart depicting procedure of reporting and accounting of transactions



[5] Focal point bank is the bank which is responsible for accounting of transactions reported to it by all the linked dealing branches.

Audit observed that, in eight[6] out of 15 PAOs, the reconciliation was not completed on time by the PAOs due to non-receipt of Monthly Schedules from the dealing HPOs. Some of these Schedules were found pending since 2004. An amount of ₹5136.17 crore and ₹14218.72 crore towards drawings from Bank and remittances to the extent of ₹8071.69 crore and ₹18566.14 crore remained unlinked in Bank Scrolls and Post Office Schedules respectively. The amount and remittance remaining unlinked from 01 April 2009 to 31 March 2012 is shown in the **Annexure -III**.

On this being pointed out by Audit, the Ministry stated (May 2013) that matter has been taken up with the concerned PAOs to pursue the matter regarding obtaining all the wanting schedule to complete the pairing/reconciliation work up to date.

The reply of Ministry is not convincing as in view of the associated risk of fraud, neither was any time frame fixed to complete the reconciliation work in arrears nor any assurance given to establish a system of timely reconciliation. One such case was detected by bank authorities in Kolkata where fraudulent encashment of ₹86 lakh was made during March 2011. In this case, forged cheques were deposited to the personal account of the offender using the cheque numbers of the cancelled cheques. Such frauds can only be prevented when the HPOs intimate the PAO as well as the Bank in time about all their cancelled cheques. Had the reconciliation work been done in time, the fraudulent encashment could have been prevented.

The above instance is indicative of the fact that the mechanism prevalent in PAOs, to keep a check on reconciliation of Post Office Schedules with Bank Scrolls, is inadequate and ineffective.

(iii) Pending Suspense balances

Para 1.1 of Controller General of Accounts' Manual on Suspense heads prescribes that items of receipts and payments which cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the Major Head 8658—Suspense Accounts. The Suspense heads are to be cleared immediately on receipt of' the relevant details/information as receipts and expenditure cannot be reflected accurately if amounts remain un-cleared under the Suspense heads.

Scrutiny of records of 14 PAOs revealed that during 2009-10 to 2011-12 substantial amounts were lying under Credit and Debit Suspense as shown in the Table-1 below:

[6] PAO Ahmedabad, Bangalore, Cuttack, Chennai, Delhi, Hyderabad, Jaipur and Kapurthala

Table-1

Statement showing amount lying under Suspense head during 2009-10 to 2011-12

(₹ in crore)

Sl. No.	Name of PAO	Credit Suspense			Debit Suspense		
		2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
1	Ahmedabad	9.69	3.58	18.24	59.53	-15.71	-727.67
2	Bangalore	9.13	10.08	3.7	49.35	46.51	42.94
3	Bhopal	0.72	9.77	10.52	1.99	3.81	12.58
4	Cuttack	6.94	15.54	17.49	6.25	5.26	5.75
5	Chennai	44.73	17.08	35.29	40.23	8.73	21.14
6	Raipur	36.21	19.75	25.09	43.71	5.60	7.62
7	Hyderabad	24.88	32.49	86.12	0.07	0.03	0.02
8	Jaipur	0.24	2.94	4.34	2.85	2.74	3.59
9	Kapurthala	2.17	1.5	1.16	0.09	0.02	0.02
10	Kolkata	174.68	170.95	202.72	285.83	282.21	194.98
11	Lucknow	93.14	25.94	94.96	40.92	21.22	49.09
12	Nagpur	621.90	15.43	-7.53	249.16	162.14	186.91
13	Patna	65.3	61.22	36.22	213.86	131.02	88.42
14	Thiruvananthapuram	-1.3	0.53	13.42	-2.91	-0.23	0.16

(Source: Suspense broadsheets and reconciliation register)

An analysis of the outstanding Suspense balances revealed that in PAOs Kolkata, Nagpur, Patna, Ahmedabad and Lucknow, there were substantial Suspense balances both under Credit and Debit Suspense. Analysis further revealed that in Ahmedabad PAO, there was substantial minus Suspense balance of ₹727.67 crore during the year 2011-12. The above balances under Suspense heads do not depict the nature of transaction and as such the receipt and expenditure cannot be reflected accurately.

The Ministry replied (April 2013) that out of ₹162.47 crore, an amount of ₹4.46 crore under Credit Suspense and out of ₹433.30 crore an amount of ₹9.84 crore under Debit Suspense have been adjusted by the Circles. It was further stated that matter was being pursued vigorously to adjust the remaining Suspense balances.

DoP needs to evolve a time bound programme for reducing the substantial suspense balance as outstanding amounts under suspense (debit) balance for a long time is fraught with the risk of misappropriation of Government money which may go unnoticed. Further, if these amounts remain un-cleared, the balances under Suspense heads would accumulate year after year and would not reflect Government receipts and expenditure accurately.

3.1.7.2 Issues relating to Post Office Cash Certificates (CC)

To encourage the Savings, the Government of India has instituted a series of Certificates which can be purchased from the Post Offices doing Saving Bank business. Rules relating to Post Office Cash Certificates are prescribed in Postal Accounts Manual Volume-II. The main check in the PAOs with regard to Cash Certificates is conducted through a Stock and Issue Register (S&I). The details viz. number of the Post Office Cash Certificate, month and year of issue of each Certificate is entered into the S&I Register. Similarly when a Cash Certificate is discharged and received in the PAO, the interest paid on maturity of Certificate is checked with reference to the date of issue and discharge as mentioned on the Certificate and is noted in the S&I Register against the number of the respective Cash Certificate. The total amounts of issues and discharges are verified each month with the figures in the Detail Book[7].

The relevant rules pertaining to Cash Certificates and deviations there from are discussed in the succeeding paragraphs.

(i) Arrear in Post Office Cash Certificate work

Para 2.4 of Postal Accounts Manual Volume-II stipulates that HPO-wise detail of stock and issue of Cash Certificates is to be maintained by the PAO in a register and should be verified each month with the figures in the Detail Book. Secretary, DoP in April 2007 taking note of a huge fraud of ₹104 crore in West Bengal Circle made the Head of Circles personally responsible to ensure that Cash Certificate work should not remain pending in any circumstances.

Audit observed that 2790228 Cash Certificates valuing ₹1420.92 crore remained un-posted in the Stock and Issue Register in 13 out of 15 PAOs as on 31 March 2012 as shown in **Annexure-IV**. Further, in eight out of 13 PAOs[8], posting of Cash Certificates were not done for more than 10 years and in four PAOs i.e. Hyderabad, Chennai, Lucknow and Bhopal, more than one lakh un-posted items in each PAO were found.

On this being pointed out by Audit, the Ministry stated that concerned Heads of Circles have been reminded at regular intervals to issue necessary instructions to their Subordinate Offices for sending the long pending and wanting Cash Certificate returns. It was further stated that latest reminder was issued in February 2013.

---

[7] Detail book contains consolidated accounts for each Circle showing Receipts and Expenditure under each Head of Account

[8] PAOs Ahmedbad, Bangalore, Hyderabad, Kapurthala, Kolkata, Chennai, Delhi and Lucknow

The reply is not convincing as mere issue of instructions and reminder would not be effective. The Ministry needs to ensure that Cash Certificates are posted and verified regularly and monitoring of the same is also done.

(ii) Non-receipt of the list of unsold Post Office Cash Certificates

As per Para 2.47 of Postal Accounts Manual Volume-II, a list of Post Office Cash Certificates remaining unsold in HPOs on the 31^{st} March of each year are to be received in the PAO annually. The entries in the list should be compared with those in the Stock and Issue Registers and any discrepancies noticed should be settled with the Post Master concerned. A Register is maintained in the PAOs to keep a watch over receipt of lists of unsold Cash Certificates. This check is an important means of detecting fraudulent issues within one year of the transactions.

Audit scrutiny of records revealed that in eleven PAOs the list of unsold Certificates were not submitted by HPOs within one year of the transactions taking place as detailed in Table-2 below:

Table-2
Statement showing non-submission of list of unsold Cash Certificates by HPOs

Sl. No.	Name of PAO	Period from which due
1	Ahmedabad	1998-99
2	Bangalore	2009-10
3	Bhopal	2009-10
4	Cuttack	2003-04
5	Delhi	2010-11
6	Jaipur	2009-10
7	Kapurthala	2009-10
8	Kolkata	2009-10
9	Lucknow	2009-10
10	Nagpur	2007-08
11	Thiruvananthapuram	2009-10

(Source: Stock and Issue register)

The above Table is indicative of the fact that PAOs do not have an effective control over the monitoring of submission of list of unsold Certificates which is an important tool for detecting fraudulent issues within one year of the transactions. In Ahmedabad PAO the list was pending since 1998-99.

PAOs while accepting the fact have also stated that the matter has been taken up with Senior Superintendent of Post Offices/ Superintendent of Post Offices and Post Masters to submit the pending statements.

The reply of PAOs is however not satisfactory as this list is an important means of detecting fraudulent issues and failure to receive this list may result in non-detection of fraudulent issues of Cash Certificates over a period of time.

(iii) Outstanding amount in the Objection Book of Cash Certificate

Para 2.58 to 2.61 of the Postal Accounts Manual Volume-II, stipulate that the Objection Statement[9] should be filled up and copied in the Circle Objection Book. A reference should be made into the register of refunds and recoveries from the Cash Accounts to watch whether any item appearing in the P.O. Certificates Objection Statement has been recovered or refunded. If any recovery or refund is traceable, the corresponding entry in the Objection Statement should be cancelled. The Objection Statements should then be forwarded to the Postmaster concerned to return the Objection Statement with their explanations, not later than a fortnight from the date on which it is received. A watch over the pending objections should be kept through the Objection Book and reminders should be issued whenever the return of an Objection Statement is delayed by 4 days beyond the scheduled time.

It was noticed in Objection Books of 7 out of 15 PAOs that an amount of ₹19433.97 crore was pending for settlement as on 31 March 2012 in respect of Certificates issued and discharged as detailed in the Table-3 below. Further, out of total of ₹19433.97 crore, an amount of ₹18996 crore, which constitutes 98 *per cent* was outstanding against Kolkata PAO.

Table-3
Statement showing amount outstanding in Objection Book of CCs

(₹ in crore)

Sl No.	Name of the PAO	Amount Outstanding
1	Cuttack	2.17
2	Hyderabad	335.72
3	Kolkata	18996.00
4	Nagpur	6.87
5	Thiruvananthapuram	1.59
6	Kapurthala	91.45
7	Chennai	0.17
Total		**19433.97**

(Source: Objection book for cash certificates)

[9] Objection Statement contains irregularities such as incompleteness of vouchers, excess payment or short credits, excess recoveries from or short payment to investors

On this being pointed out by Audit, PAO Kolkata against whom 98 *per cent* of the total amount was outstanding stated that the posting work was held up due to acute shortage of staff. It was further stated by PAOs that correspondence was being made regularly with concerned Post Masters and SSPO's for clearance of outstanding items in Objection Book. Further, PAO Ahmedabad, Delhi and Bangalore stated that the Objection Book was not being maintained at all.

The reply itself indicates ineffective monitoring by the PAOs for clearance of outstanding amounts in Objection Book and also for non-maintenance of Objection Book.

3.1.7.3 Issues relating to Money Orders (MOs)

Rules relating to Money Orders (MOs) as stipulated in Postal Accounts Manual Volume-II prescribe that Money Order should be checked to see that for every paid Money Order, there is credit, in Post Office for an equivalent amount and that Commission is correctly realised. The relevant rules pertaining to Money Orders and deviations there from are discussed in the succeeding paragraphs.

(i) Backlog in pairing

Para 3.5 of Postal Accounts Manual Volume-II, stipulates that each PAO receives list of MOs, issued from the HPOs situated within their jurisdiction. The PAOs also receive lists of MOs paid together with the paid MOs from all HPOs whether within their jurisdiction or outside.

Audit scrutiny of records in ten[10] out of 15 PAOs for the years 2009-10 to 2011-12 revealed that due to non-receipt of list of MOs issued and paid from the HPOs, the work of pairing was in arrears for the last 3 to 4 years and in the case of Hyderabad PAO, the pairing work was pending since year 2005 as shown in the **Annexure -V**.

On this being pointed out by Audit, the Ministry while agreeing to the facts stated that various references have been issued to concerned PAOs to clear/reduce the pending arrear/pairing work in a time bound manner. It was further stated that latest reference in this regard was issued to the concerned PAOs in March 2013.

[10] Gujarat, Maharashtra, Thiruvananthapuram, Bhopal, Chennai, Hyderabad, Cuttack, Raipur, Lucknow and Kolkata

(ii) Outstanding in the Objection Book maintained for MOs

As per Para 3.22 of Postal Accounts Manual Volume-II, if any discrepancy is found by PAOs in the totals of the lists of MOs, issued and brought out in the summary or discovered between the total of the summary and the credit in the Cash Account, the same should be brought to the notice of the Postmaster in the form of an Objection Statement for adjustment.

While verifying the Objection Book of six PAOs, Audit noticed that an amount of ₹19.34 crore was outstanding for the last seven to 12 years and in the case of Lucknow PAO, the outstanding was since 1972-73 as detailed in Table-4 below:

Table-4
Statement showing amount outstanding in Objection Book of MOs

(₹ in crore)

Name of PAO	Pending from	Amount
Kapurthala	2001-02	0.02
Nagpur	2003-04	14.48
Hyderabad	2005-06	2.68
Lucknow	1972-73	0.66
Jaipur	1999-2000	0.01
Thiruvananthapuram	1991-1992	1.49
Total		**19.34**

(Source: Objection book for MOs)

On this being pointed out by Audit, PAOs stated that the matter is being taken up with higher authorities for clearance of the outstanding amount.

However the fact remains that no concrete effort has been made by DoP to ensure clearance of outstanding amounts in Objection Book.

3.1.7.4 Recovery of dues from other Departments

(i) Delay in recovery of penal interest from Public Sector Banks for delayed remittances

Instructions issued by Reserve Bank of India in April 2005 provided for recovery of interest on delayed remittances by Public Sector Banks. The instructions further stipulated that for the total amount which was not remitted in time, the penalty due along with the details of individual cases should be intimated by the concerned Ministry/Department to the Head Office of the Bank concerned. This should be done on a quarterly basis by the 15th of the following month. In case of the DoP, the Circle Postal Accounts Offices are mandated to raise the penal interest claim on behalf of Post Offices in a concerned Circle.

Test check of records of 13 out of 15 PAOs revealed that the PAOs did not take action to raise the claims for recovery of penal interest of ₹8.86 crore from various Public Sector Banks (as on 31 March 2012) as shown in the **Annexure-VI**. It was further observed that in Bangalore PAO, an amount of ₹2.74 crore was outstanding since 2003-04 onwards.

On this being pointed out by Audit, the Ministry stated (April 2013) that out of ₹8.86 crore, ₹0.36 crore has been adjusted by Post Offices. It was further stated that the matter was being pursued vigorously to recover the remaining amount.

(ii) Non-recovery of amount of pension paid to pensioners of other Organisations

DoP discharges the agency function of disbursement of pension/family pension on behalf of other Departments and in return, receives commission at rates fixed by DoP from time to time. The payment of pension/family pension is made through HPOs. The HPOs are required to send Monthly Cash Accounts along with relevant payment vouchers/schedules to the PAO for effecting recovery from the concerned Departments/ Undertakings.

Scrutiny of records of 13 PAOs revealed that an amount of ₹38.04 crore was outstanding against Railways, EPFO, CMPF and DoT/BSNL for the pension paid by Post Offices and Commission due as shown in **Annexure-VII**. It was further observed that an amount of ₹15.61 crore which constituted 41 *per cent* of total outstanding amount was to be recovered by PAO Patna alone since 2002-03.

On this being pointed out by Audit, Ministry stated (April 2013) that an amount of ₹6.41 crore has been recovered. It was further stated that PAOs have been asked to recover the remaining amount.

(iii) Non/Short realization of dues from BSNL/DoT

Audit scrutiny of records relating to recovery of dues from other Departments revealed that dues to the extent of ₹15.50 crore to be realized from other Departments were outstanding as on 31.03.2012 as shown in the Table-5 below. It was further observed that out of total outstanding dues, an amount of ₹7.33 crore was to be realized by Chennai PAO towards rent, electricity and water charges.

Table-5
Statement showing amount outstanding against BSNL/DoT

(₹in crore)

Sl. No.	Name of PAO	Amount outstanding	Remarks
1.	Chennai	5.67	Commission on handling of telegraph charges
2.	Thiruvananthapuram	1.34	
3.	Chennai	0.71	Share of P& T Dispensary from 2000-01 to 2011-12
4.	Nagpur	0.45	
5.	Chennai	7.33	Rent, electricity charges and water charges from 01.01.1974
Total		**15.50**	

On this being pointed out by Audit, Ministry stated (April 2013) that matter was being pursued with the Circles to realize the amount.

3.1.7.5 Internal control mechanism

Rules regarding Internal Check Inspection are prescribed in Postal Accounts Manual Volume-I. The relevant rules pertaining to internal check and deviations therefrom are discussed in the succeeding paragraphs.

(i) Internal check work in arrears

Para 15.01 of Postal Accounts Manual Volume-I provide that the Director of PAO should arrange for internal check of the accounts of all the Postal units under their accounting jurisdiction. Internal Check Section should see whether the various process of accounting checks are being correctly followed by the different sections of the PAO. Defects in the procedure and financial irregularities which may lead to fraud or misappropriation or defalcation should be included in the Inspection Report with full facts. Inspection Reports are to be issued within one month from the date of completion of inspection.

Audit scrutiny of records of four out of 15 PAOs revealed that the work of internal check of 170 units was in arrears as on 31 March 2012 as shown in the Table-6 below:

Table-6
Statement showing number of units pending for inspection

Sl. No.	Name of PAO	No. of units pending for internal check
1.	Cuttack	45
2.	Kolkata	80
3.	Jaipur	15
4.	Thiruvananthapuram	30
	Total	**170**

(Source: Internal Check registers)

On this being pointed out by Audit, the Ministry stated (April 2013) that internal check of Postal units could not be completed within the time frame due to acute shortage of staff. It was further stated that inspection of all the pending units have been completed by Jaipur and Thiruvananthapuram PAOs.

Since internal check is an important tool to see whether the various process of accounting checks are being correctly followed, the arrears in internal check work may delay the detection of shortfall in procedure which may lead to financial irregularities.

(ii) Delay in issue of Inspection Reports

Para 15.01 & 15.16 of Postal Accounts Manual Volume-I provide that inspection reports be issued within one month from the date of completion of inspection. Further, the units inspected are required to reply promptly within one month for the settlement of observation to correct the system deficiency, if any.

Scrutiny of records of 12 PAOs revealed that the IRs was issued with delay ranging from 1 to 365 days as shown in **Annexure-VIII**.

On this being pointed out by Audit, the Ministry stated (April 2013) that Inspection Reports could not be issued within the prescribed time due to shortage of staff and issue of special internal audit report pertaining to VIth CPC and 100 *per cent* verification of Time Related Continuity Allowance for Gramin Dak Sewaks.

It was also noticed that in six PAOs, the units inspected either did not give any reply or the same were received late as detailed in Table-7 given below.

Table-7
Statement showing non/late receipt of reply to IRs

Sl. No.	Name of PAO	Total IRs issued	No. of IRs	
			in which reply received late	in which reply not received at all
1.	Ahmedabad	101	76	7
2.	Cuttack	N/A	40	8
3.	Kolkata	111	Nil	75
4.	Delhi	97	51	34
5.	Jaipur	156	138	Nil
6	Nagpur	185	132	35

(Source: Internal Check registers)

On this being pointed out by Audit, the Ministry stated (April 2013) that reminders have been issued to the defaulting field units for early submission of replies to the pending paras. It was further stated that replies have been received from all field units in respect of Cuttack PAO.

The above lapses highlight the ineffective and inefficient working of the Internal Check Organization of PAOs.

Conclusion

The Department of Posts has an extensive, exhaustive and detailed mechanism for preparation and maintenance of accounts. There are also adequate checks and balances prescribed to ensure that the controls are effective and that accounts are prepared properly and submitted to the various authorized channels well in time. However, review of the Internal Control System revealed that due importance to the existing control mechanism was not given. The weakness and lack of internal control have been responded to by the Department primarily due to lack of manpower which resulted in delays in postings, non-reconciliation of accounts and non-maintenance of records/accounts. The argument put forth is not acceptable, since even though there was a system of computerization available to offset the problems of delays, this proved to be ineffective and non-operational. No action has been taken to address these issues either at the Circle or Directorate level. As such DoP needs to look into these issues urgently and effectively to strengthen the system of internal controls which has directly impacted the efficiency and effectiveness of the working of the Department.

Recommendations

- ***A time bound programme may be evolved and implemented to clear the unlinked items in bank reconciliation work.***
- ***DoP may take up yearly drive to clear suspense balances.***
- ***DoP may take effective steps to ensure that Cash Certificate work which is in arrears in PAOs is cleared promptly in a time bound manner so that cases of fraud/loss/misappropriation do not remain undetected.***
- ***DoP may ensure that Internal Check inspection are carried out within the stipulated time period and the action on reports thereto is monitored effectively.***

3.2 Irregular claim of remuneration from Ministry of Finance

Department of Posts irregularly claimed remuneration of ₹18.60 crore for the period from 2009-10 to 2012-13 from Ministry of Finance (MoF) on technically revived silent accounts without corresponding efforts by Gujarat, Tamil Nadu and Rajasthan Postal Circles

The Post Office Saving Bank (POSB) is the oldest and largest banking institution in the country. In order to encourage savings, the Government of India instituted Savings Bank Schemes at the Post Offices. The small savings schemes like Saving Bank (SB) Account, Recurring Deposit (RD), Time Deposit (TD), Cash Certificates (CC) etc are operated through the Department of Posts (DoP) for which Department is paid remuneration by the Ministry of Finance (MoF), Government of India on per account/per certificate basis.

According to Rule 2 (a) of the Post Office Savings Bank General Rules 1981, "Account" means a Savings Account, a Cumulative Time Deposit Account, a Recurring Deposit Account, a Time Deposit Account, NSS 1987 Account, MIS Account. Rule 8 of the Post Office Savings Accounts Rules 1981 states that an account in which a deposit or withdrawal has not taken place for three complete years, shall be treated as a silent account.

The Ministry of Finance (MoF) had prescribed the following rates of remuneration as given in Table-1 on live Saving Bank (SB) Account and silent account, during the period 2009-2013. The remuneration on silent accounts was introduced for the first time from 2011-12 by the MoF.

Table-1
Rates of Remuneration

(Amount in ₹)

Year	Rate per live SB Account per annum	Rate per silent account per annum
2009-10	129.49	-
2010-11	135.96	-
2011-12	151.76	20.93
2012-13	163.22	24.75

DoP in January 2010 issued the following instructions with regard to revival of silent accounts.

- All silent accounts as on 31 March 2002 (including those treated as silent at the time of interest calculation of 2001-02) were to be technically revived (without obtaining application from depositor) by the Savings Bank Control Organization (SBCO)[11]. Service charge @ ₹20/- per account was to be deducted from the accounts having a balance below ₹50/- based on the balance at the time of treating the account silent. The accounts with a balance of ₹20/- or below were to be closed.

- On 31 March 2010, interest was to be calculated on all technically revived accounts and interest was to be charged along with normal interest statement.

- From 1 April 2010, all these accounts would be treated at par with the silent accounts of post 31 March 2002 which are already part of the office balance. All these accounts would then be entered into the Sanchay Post System of the concerned office through a data entry module.

- Revival of silent accounts could be made at any departmental post office where the account stood by transaction of either deposit or withdrawal but the depositor has to attend the post office personally for revival.

- The Postmaster was to take an application from the depositor for revival of account and the depositor had to reintroduce himself by following the same procedure as prescribed for opening of a new account.

[11] The Savings Bank Control Organisation (SBCO) has been set up in each Head Post Office to maintain control accounts of saving bank and carry out day-to-day checks of the work done by the SB Branch.

Audit scrutiny (November 2012 to July 2013) in Gujarat, Tamil Nadu and Rajasthan Postal Circles revealed irregular claim of remuneration from the MoF on account of revival of silent accounts as described in subsequent paragraph.

Scrutiny of records in 13 Post Offices under Gujarat Circle, eight Post Offices under Tamil Nadu Circle and four Post Offices under Rajasthan Circle revealed that 554740 silent accounts were technically revived during 2009-10 to 2012-13 and then entered into Sanchay Post Software. These accounts were however, treated as live accounts by these Post Offices without effecting any deposit and withdrawal from these accounts and also without any personal appearance of the depositor, in violation of the instructions issued by DoP in January 2010. Further, these technically revived silent accounts were taken for calculation of remuneration from MoF at higher rates i.e. at rates fixed for claiming remuneration on live accounts. This resulted in irregular claim of remuneration to the extent of ₹18.60 crore (**Annexure-IX**) on these technically revived silent accounts. Further test check of records in the Postal Directorate revealed that remuneration was claimed and received from MoF for all SB live accounts as submitted by the Gujarat, Tamil Nadu and Rajasthan Postal Circles.

On this being pointed out by Audit (June 2013), DoP while accepting the audit findings, stated (July 2013), that it was never the intention of the DoP to treat the technically revived silent accounts as live accounts. It further directed the CPMGs of all Circles to take immediate action to mark such accounts as silent in the Sanchay Post and deduct these accounts from live accounts for 2013-14. The DoP also instructed the Circles to intimate them the effect of inclusion of these silent accounts in the live accounts so that amount of excess remuneration claimed for these silent accounts for the period 2010-11 to 2012-13 is adjusted from the claim to be raised for the financial year 2013-14.

Thus, failure of the Internal Control System of the Department to detect the irregular claim of live accounts submitted by Gujarat, Tamil Nadu and Rajasthan Postal Circles resulted in irregular claim of remuneration of ₹18.60 crore by DoP from MoF for four consecutive years. No responsibility has been fixed as yet by the Department.

3.3 Loss of Revenue

In violation of Departmental instructions, the Newspapers which were not registered with RNI, were allowed to avail of concessional tariff which resulted in short realization of revenue of ₹8.91 crore in Tamil Nadu Postal Circle

Rule 129 of Post Office Guide, Part-I relating to conditions for charging special rates for Book Packets containing Periodicals stipulates that the special rates of Postage in respect of a Book Packet containing Periodicals shall be applicable only if it is registered with the

Registrar of Newspapers in India (RNI) under the Press and Registration of Books Act, 1867 (25 of 1867) and the Periodical bears in print in any convenient place, either on the first or last page thereof, the superscription "Registered with the Registrar of Newspapers in India (RNI)" mentioning that number. After RNI Registration, the Newspaper has to separately register itself with the concerned authorized[12] Postal Authorities. Accordingly, a license is issued to the concerned publisher by the concerned Postal Authority, valid for a period of three years which requires to be renewed periodically. Further, Newspapers that fail to comply with the above conditions for availing concessional rates are to be treated as Book Packets and tariff[13] is charged accordingly.

Comments regarding short realization of Postage charges by allowing concessional tariff to ineligible Publications were made in Paragraph 3.2 of Audit Report No. CA -1 of 2008 and Paragraph 2.8 of Audit Report No. 14 of 2008-09 of Comptroller and Auditor General of India. The Ministry in their Action Taken Notes (ATNs) submitted in April 2013, while accepting the audit conclusion stated that consolidated instructions on Registered Newspapers were issued in May 2008 to all the circles. It was also stated (April 2013) that after the issue of these instructions, grant of registration to ineligible Publications, under the category of Registered Newspaper have reduced. Audit noticed that the instructions issued in May 2008 were, however, not being complied with by the circles and the deficiency continued to persist as discussed below.

Audit scrutiny (July 2012 to March 2013) of records of 28 HPOs under 14 Divisions[14] in Tamil Nadu Postal Circle, revealed that in violation of the above said rules, the Newspapers which were not registered with RNI, were irregularly accorded Postal Registration on the basis of title verification certificate, for the purpose of availing concessional tariff. Further, in violation of existing procedure, the Postal Registration was also renewed periodically without examining whether those Newspapers were registered with the RNI. In some of the cases, it was also observed that registration number written on the cover page of newspaper or in the documents furnished by the Publishers at the time of applying for Postal Registration were allotted to some other Newspapers by the RNI. Since, these newspapers did not have the certificate of registration from RNI, Book Packet rates should have been charged from them instead of giving them concessional tariff. This lapse on the part of Postal Authorities in Tamil Nadu Circle resulted in short realization of revenue to the extent of ₹8.91 crore **(Annexure-X)**.

On this being pointed out by Audit, Director Postal Services (HQ), O/o the CPMG, Tamil Nadu Circle, Chennai stated (September 2013) that observation made by audit was

---

[12] Divisional Superintendent Offices and independent Gazetted Postmasters

[13] The rates applicable for book packets were ₹ 2/- up to 31.5.2001 and ₹ 4/- from 1.6.2001 onward.

[14] There are 93 HPOs under 43 Divisions in Tamil Nadu Postal circle. Audit was conducted in 28 HPOs under 14 divisions viz., Dharampuri, Dindigul, Erode, Kanchipuram, Kanyakumari, Karaikudi, Nagapatnam, Ramanathapuram, Salem (east), Theni, Tiruvannamalai, Madurai, Thanjavur and Trichy.

correct and the Divisions have now cancelled the irregular licenses and had initiated action to recover the amount as pointed out by audit.

Thus lapse on the part of Divisions and HPOs in Tamil Nadu Postal Circle to comply with the Departmental instructions resulted in short realization of revenue to the extent of ₹8.91 crore.

The matter was referred to DoP in July 2013; their reply was awaited as of September 2013.

3.4 Wasteful expenditure

Failure of DoP to take effective action for utilization of Bogies purchased in 2004 resulted in wasteful expenditure to the extent of ₹5.46 crore

Department of Posts (DoP) had been utilizing 97 full Bogie Railway Mail Service (RMS) Vans in 2002. Out of these 97 Bogies, 50 had Vacuum Break System (VBS) and 40 had Air Brake System (ABS). The 50 RMS Bogies with VBS manufactured in 1978-79 had almost completed their life span of 25 years. The Ministry of Railways had stated that only those Coaches which had a life span of over five years could be fitted with ABS. Therefore these Coaches could not be fitted with the ABS system. In 2002, the Department required 60 full Bogies with ABS system and 12 standby Coaches for carriage of Mails in different trains. DoP was of the view that if it did not go for new Coaches, Railways would be providing Second Class Coaches in various Mail carrying trains and the effective area of utilization in Second Class Coaches would be much less as compared to full Postal Bogies of the same size. Accordingly DoP placed a Purchase Order on Rail Coach Factory, Kapurthala in July, 2003 for supply of 25 Broad Gauge full Bogie RMS Coaches with ABS for ₹12.41 crore at an estimated unit cost of ₹49.63 lakh each. These Bogies were to be used in Southern (13), South Eastern (4), Eastern (5) and Western (3) Railways for carrying Postal Mails. Advance payment for the same was made to the Railways.

Audit scrutiny of records at Office of the Chief Postmaster General (CPMG), Chennai (March, 2012 and May, 2012) revealed that 13 Bogies intended for Southern Railways were received during July 2004. Out of these 13 Bogies, 11 Bogies valuing ₹5.46 crore were lying idle at Tondiarpet Marshalling Yard, Chennai. It was further observed that the CPMG Chennai took up the matter with DoP Headquarters only in March, 2012 for disposal of these 11 Bogies which were lying idle. The DoP Headquarters, in response sought (May, 2012) non-utilization report from the respective Postal Circles.

On this being pointed out by Audit, Director (Mail Management), DoP stated (January 2013) that these 11 coaches had not been put to use by the Railways. It was further stated that the Ministry of Railways had been requested to indicate the possibility of the use of these Coaches. DoP further replied that the current status of utilization of the remaining 12 Coaches placed at the disposal of Western, Eastern and South Eastern was being obtained from the concerned Circles.

The reply of DoP does not explain the reasons as to why these 11 Coaches were not put to use by the Railways. The reply is further contradicting as the Southern Railway, Chennai had specifically stated (June 2012) that none of these Coaches were fit for use. Further, it was the responsibility of DoP to ensure utilization of these Coaches on which substantial amount was invested and also to keep a strict vigil on its own assets. The reply of DoP that current status of utilization of the remaining 12 Coaches placed at the disposal of Western, Eastern and South Eastern was being obtained from the Circles further reflected the casual approach being adopted by DoP in ensuring the utilization of the valuable assets procured for smooth functioning of Railway Mail Services.

Thus inaction on the part of DoP to take effective steps for utilization of Railway Bogies purchased in 2004 resulted in wasteful expenditure to the extent of ₹5.46 crore.

3.5 Failure to realise service charge against disbursement of Old Age Pension in Jharkhand Postal Circle

In disregard of Postal Directorate instructions of December 2005, the Chief Postmaster General, Jharkhand Postal Circle failed to realise service charge of ₹1.52 crore during 2008-2013 against disbursement of Old Age Pension under Indira Gandhi National Pension Scheme

Under the National Old Age Pension Scheme renamed as Indira Gandhi National Pension Scheme[15] (IGNPS) sponsored by Government of India, the Department of Posts (DoP) decided (December 2005) to offer the services for disbursement of Old Age Pension through Post Offices on payment of service charges mutually agreed to between Postal Department and the Competent Authority of the concerned State. Accordingly, all the Chief Postmaster Generals (CPMGs) were instructed by the Secretary (DoP) in December 2005 to follow up the matter with the concerned State Labour Secretaries for fixing of service charges after working out the costs of disbursement of pension. Pursuant to the DoP's instruction, CPMG Bihar Circle took up the case in December 2005 and April 2006 and signed a Memorandum of Understanding (MoU) with the State Government for

[15] All persons of 60 years and above (revised downwards from 65 in 2011) and belonging to below the poverty line category according to the criteria prescribed by the Government of India from time to time, are eligible to be a beneficiary of the Scheme

payment of Old Age Pension. They also finalized service charge of ₹18/- per pension account per annum for disbursement of the same. The Bihar Circle realised service charge amounting to ₹25.79 crore[16] for the year 2008-2013 (up to February 2013) from Government of Bihar. Jharkhand Postal Circle which came into being in the year 2001 after three new States were formed by the Government of India in 2000 was under the Bihar Postal Circle, before 2001.

Scrutiny of records of the CPMG, Jharkhand Postal Circle (March 2013) however, revealed that CPMG, Jharkhand Circle made payment of Old Age Pension under Indira Gandhi National Pension Scheme without signing any MoU with the State Government. In the absence of any MoU, Jharkhand Postal Circle also failed to claim service charge of ₹1.52 crore[17] though it had disbursed Old Age Pension to the extent of ₹269.04 crore for 842701 accounts under IGNPS from 2008-2009 to 2012-13 (up to February 2013). Postal Directorate also failed to monitor the receipt of service charges from the various States and did not detect the non-receipt of service charges from the Govt of Jharkhand.

On this being pointed out by Audit, CPMG Jharkhand Circle replied (May 2013) that the Circle had not provided any special service to State Government for implementation and disbursal of Pensions under IGNPS. It was also stated that in the absence of any specific order from Postal Directorate, no service charge was claimed from the State Government against disbursement of Old Age Pension.

The reply of CPMG Jharkhand Circle is however not acceptable as the instructions of December 2005 by Secretary, Post impressed upon all Heads of Circles to contact the concerned State Governments so that DoP could get a share in the national activity and earn subsequent revenue from the same. It was also observed that other Postal Circles had also been realising service charge against disbursement of Old Age Pension. DoP should also have adopted a mechanism to ensure that service charge was being levied by all Postal Circles in consultation with the State Governments at mutually agreeable rates.

Thus, ineffective monitoring mechanism of the Postal Directorate coupled with non-compliance of instructions of Postal Directorate by CPMG, Jharkhand Circle, resulted in loss of revenue to the extent of ₹1.52 crore in Jharkhand Postal Circle for the year 2008-2013 (up to February 2013) as service charges on Old Age Pension disbursement under IGNPS.

The matter was referred to DoP in June 2013; their reply was awaited as of August 2013.

---

[16] Booked under the head of account 1201008004000 - Postal Receipts by Postal Accounts Office, Patna

[17] The service charge tentatively calculated at the rate of ₹18/- per account/per annum on the analogy of Bihar Circle

CHAPTER-IV
DEPARTMENT OF ELECTRONICS AND INFORMATION TECHNOLOGY

4.1 Idle investment of ₹2.43 crore on procurement of defective equipment

Failure of STQC, Directorate to enforce contractual obligations on supplier to replace faulty equipment led to its non-commissioning and idle investment of ₹2.43 crore. Besides, three electronics test laboratories for which the equipment was procured could not render specific testing services to industries.

The Standardisation, Testing and Quality Certification (STQC) Directorate[1] provides quality assurance services in the area of Electronics and Information Technology through a country wide network of Electronics Regional Test Laboratories (ERTLs) and Electronic Test and Development Centres (ETDCs). The services include testing, calibration, training and certification for public and private organisations.

For augmentation of its laboratories, STQC ascertains requirements for various equipments from each laboratory and major equipment costing more than ₹ 50 lakh is purchased by STQC through open tender process. In one such process of augmentation, STQC processed requirement for 'Three phase power/ energy calibration system' received from ERTL, Mumbai, ETDCs, Bangalore and Hyderabad and placed purchase orders on M/s Rotek Instruments Corporation, USA.

Purchase proposal

ERTL, Mumbai proposed to purchase a new power/energy calibration system in 2005-06 and submitted a demand to STQC Directorate. The specifications of the equipment indicated by the laboratory among other things included manual and automated operation capable of calibrating every reference meter, watt meter, phase angle meter etc. Similarly, ETDC, Bangalore and Hyderabad raised a demand for purchase of a new three phase Energy Calibration System in 2005-06.

[1] It is an attached office of the Department of Electronics and Information Technology (DeitY), Government of India.

Lapses in following tender procedure

In order to procure equipment for ERTL, Mumbai, STQC invited open tender in December 2005 in response to which only one tender was received from M/s Microtek instruments, Chennai, which is an Indian Agent for the principal M/s Rotek Instruments Corporation, USA. The single tender received was evaluated and cleared by the technical committee. Similarly, STQC invited open tender in June 2006 to procure the same equipment each for ETDC, Bangalore and Hyderabad, in response to which only two / three bids respectively were received. On evaluating the bids the technical committee selected only one bid received from M/s Microtek instruments on behalf of principal M/s Rotek Instruments Coporation as technically suitable. The fact remains that in all the three cases the equipment was procured from the same vendor i.e. M/s Rotek Instruments Corporation, USA which eliminated competition and restricted the choice of equipment.

On this being pointed out by Audit, the Ministry replied (February 2013) that in an earlier tender for procurement of similar equipment for ETDC Guwahati, M/s Rotek and M/s Zera participated and the equipment from Zera did not meet the technical requirements. Hence, it was assumed that based on the earlier experience, the other suppliers may not have participated in the tender as the equipment was the same for Mumbai. Further, the call for participation in the tender was through Global tender in the instant case. The reply is not acceptable since STQC without examining the option of retendering finalised the single bid from M/s Rotek. Further, in order to install and commission the equipment procured from M/s Rotek, dedicated power panel and rack enclosure was directly purchased by ERTL (W) which was outside the ambit of the Global tender. Therefore, the entire purchases also cannot be termed as procurement through Global tender.

Non-implementation of terms and conditions of the purchase orders

Three purchase orders were placed between March 2006 and September 2006 on M/s Rotek Instruments Corporation at a total cost of ₹ 2.43 crore[2].

The terms and conditions of purchase orders were:

- The goods would be inspected and upon its rejection the supplier would replace the equipment free of cost.
- Equipment supplied should be installed and commissioned within one month from the date of arrival of consignment at laboratory premises.

[2] Break up of value: ERTL Mumbai-₹ 86.68 lakh, ETDC Bangalore- ₹ 94.94 lakh & ETDC Hyderabad – ₹ 61.70 lakh

- Warranty period of two years from the date of shipment/satisfactory installation during which the supplier was required to eliminate any faults without delay by improvement or replacement.
- Failure to provide satisfactory after sales service shall entail forfeiture of performance bank guarantee (PBG) (10 *per cent* of cost of equipment).

In the case of ERTL, Mumbai the purchase order provided for 90 *per cent* payment and in other two cases 100 *per cent* payment through irrevocable letter of credit on shipment and production of shipping documents.

We observed that the contract did not protect the interests of the purchaser as no scope was provided for retention of a portion of cost till satisfactory installation and commissioning of equipment except a 10 *per cent* in the form of PBG. Even the 10 *per cent* PBG with respect to ERTL, Mumbai was given away due to issue of a successful installation and commissioning certificate even though the equipment was not commissioned.

Non-installation and commissioning of the systems

The equipment was received by the laboratories between November 2006 to June 2007 and the Engineers from M/s Rotek initially took up the installation work at the three laboratories during March 2007 to June 2007. The equipment was installed but could not be commissioned due to various problems encountered like missing cables, inherent problems in software, software driven interface and hardware. Even though the centers could not use the equipment, the same was not rejected. Both the ETDCs Bangalore and Hyderabad sought replacement of faulty system only in August 2009 i.e. after a lapse of two years of receipt of faulty equipment. ERTL, Mumbai did not ask for replacement. The supplier agreed for partial replacement[3] in case of Bangalore and to repair the equipment in the case of Hyderabad.

STQC in July 2010 issued a final notice and offered last opportunity to the supplier to replace and install the system latest by August 2010 failing which it would initiate proceedings for recovery of entire cost and damages. We however observed that no such proceedings were initiated by STQC against the supplier although the supplier defaulted in meeting the deadline of August 2010. Further, the PBG liable to be forfeited was extended till December 2011. As on date, the equipments had neither been replaced nor repaired.

[3] Replacement of active components

The Ministry replied (February 2013) that replacement of equipment at Mumbai was not needed as the equipment was operational. In the case of ETDC Bangalore and Hyderabad it was stated that equipment of such high precision and complexities are generally subject to fine tuning exercise during installation at site. Also these sophisticated equipments were not plug and play type and hence outright rejection was not possible.

The reply is not convincing as the equipment at Mumbai did not function properly. Further, ETDC, Bangalore and Hyderabad failed to reject the faulty equipment as per the terms and conditions of the supply orders. STQC also did not effectively pursue the matter and enforced contractual obligations on the supplier. The PBG though liable to be forfeited was also not forfeited. No proceedings were initiated against the supplier for recovery of cost and damages despite supplier's failure to install and commission the equipment for more than five years.

We observed that it was only after five years of delay, that STQC cancelled the contract for two equipments for ETDC, Bangalore and Hyderabad after encashing PBG amounting to ₹15 lakh, claimed for recovery of ₹2.72[4] crore (being cost of equipment and interest thereon) and ₹1.73crore (being penalty for loss of business and goodwill, freight and insurance paid).

The Ministry also replied (February 2013) that the terms and conditions in respect of 100 *per cent* payment as a part of the contract had the approval of the competent authority. It was further stated that successful installation certificate was issued by the Senior Director, ERTL (W) although few discrepancies were noticed which would not hamper the operations/functionality of the system.

The reply is not acceptable as 100 *per cent* payment on dispatch of equipment did not protect the interest of STQC. We further observed that the earlier practice of payment of 90 *per cent* through letter of credit on shipment and balance 10 *per cent* after installation of equipment was changed to 100 *per cent* payment through letter of credit to minimize expenditure on bank charges. This change in practice has not safeguarded the interest of STQC in getting the equipment installed properly. Further, the Director ERTL (W) had issued installation and commissioning certificate in March 2007, while in August 2007 the Joint Director (Standard & Calibration), ERTL (W) addressed the agents of M/s Rotek for replacing defective items of the equipment. The Joint Director has further stated that the complete system would remain idle till the defective items are replaced. This indicated that payments for the equipment were made without ensuring proper commissioning of equipment. Further, even though the rectification of parts was carried out for over two years yet the equipment remained nonfunctional, thereby defeating the objectives for which the machines were purchased.

---

[4] $ 5,44,302 * ₹50 (approximately) = ₹2.72 crore.

Thus, failure of STQC to enforce contractual obligations on the supplier to replace faulty equipment led to its non-commissioning and idle investment of ₹ 2.43 crore. Further, due to faulty equipment, the work of calibration done by these laboratories/centres was severely affected.

4.2 Project Management in Society for Applied Microwave Electronic Engineering and Research (SAMEER)

4.2.1 Introduction

Society for Applied Microwave Electronic Engineering and Research - SAMEER is an autonomous institution set-up by the Ministry of Communication and Information Technology (MoCIT) in 1984 to promote Research and Development (R&D) in the areas of Microwave Engineering and Electromagnetic Engineering Technology.

SAMEER's vision is to achieve excellence in application oriented research in the areas of Microwave/Radio Frequency Electronics and Electromagnetics. Its major objective is to carry out R&D activities, to engage in product development and to provide test and measurement services. These R&D activities are carried out by SAMEER through its various projects.

SAMEER is managed by the Governing Council supported by the Executive Committee in administrative matters, the Research Advisory Committee in technical matters and the Finance and Accounts Committee in financial matters. The Director is the Chief Executive of SAMEER reposed with full responsibility to manage the society.

The headquarters of SAMEER is located at Mumbai and its two Centres, namely Centre for Electromagnetic and Centre for Millimeter Wave Research are located at Chennai and Kolkata respectively.

4.2.2 Scope of Audit

Audit was conducted during the period 2011-12 covering the Sponsored, Grant-in-Aid and the Core projects executed during the period 2007-08 to 2011-12. Further, as SAMEER did not have a central monitoring mechanism/data base to monitor the progress of all the projects undertaken by it, we relied on the list of projects given by SAMEER for conducting test checks.

4.2.3 Audit Criteria

The sources of main audit criteria were:

- Memorandum of Association of SAMEER
- Rules and Regulations of SAMEER
- Bye-Laws of SAMEER
- Delegation of Powers to the Governing Council and Executive Committee
- Project review and steering committee reports
- Project schedule for the year 2011-12 of SAMEER

4.2.4 Audit Methodology

The audit findings are based on review of relevant documents, discussions with various levels of Management, field visits of SAMEER Mumbai with regard to Project execution and its management by SAMEER. Macro level financial data was collected from the financial statements of SAMEER for audit analysis. Besides, detailed Audit of selected projects out of projects each costing ₹20 lakh and above executed during the period 2007-08 to 2011-12 were conducted and audit findings reported upon.

4.2.5 Audit findings

The audit findings are brought out under Financial Management, non-formation of Project guidelines, Project Implementation and its monitoring, Grant-in-aid projects, Sponsored projects, Core projects and Intellectual Property Rights.

4.2.5.1 Financial management

SAMEER is financed through grants released by the Department of Electronics and Information Technology (DeitY) and funds from sponsoring agencies i.e. other Ministries /Departments / autonomous organizations of the Government of India. During 2007-12, SAMEER received a total sum of ₹304 crore from various sources (₹158 crore as grants in aid from DeitY and ₹146 crore from sponsoring agencies), against which an expenditure of ₹246 crore had been incurred during the period. Besides, ₹77.64 crore were also received as test measurement, consultancy services and other income during the period.

(i) Grants in aid

A summary of Income and expenditure account of SAMEER, which reflects the grants received and expenditure against the grants during the period 2007-08 to 2011-12 is given below in Table-1.

Table-1

(₹ in crore)

Year	Receipts			Expenditure	Unutilised funds	Percentage of unutilised funds
	Grant received from MoCIT[5]	Other receipts[6]	Total Receipts			
2007-08	23.11	10.53	33.64	19.64	14.00	42
2008-09	25.34	19.46	44.80	24.95	19.85	44
2009-10	38.74	12.27	51.01	30.66	20.35	40
2010-11	35.78	18.49	54.27	28.69	25.58	47
2011-12	34.70	16.89	51.59	31.08	20.51	40
Total	**157.67**	**77.64**	**235.31**	**135.02**	**100.29**	

(Source - Annual reports (2007–12) of SAMEER)

From Table-1 it is evident that during the period 2007-08 to 2011-12, though there has been steady increase in expenditure, yet there was consistent under-utilisation of grants resulting in savings of 40 to 47 *per cent* yearly during this period.

SAMEER also failed to give the Utilisation Certificates (UCs) in respect of grants amounting to ₹ 68.74 crore as shown below in Table-2.

Table- 2

(₹ in crore)

Sl No	Amount of Grant	UC due for the Year	Amount for which UC was due as of March 2012	Number of UCs due
1	0.92	2008-09	0.92	1
2	1.37	2009-10	1.37	2
3	13.35	2010-11	13.35	4
4	53.10	2011-12	53.10	10
	68.74		**68.74**	**17**

(Source – Statement given by DeitY)

[5] Ministry of Communications and Information Technology

[6] Test measurement, consultancy services and other income

On being pointed out by us (November 2012), it was stated (February 2013) that only 5 UCs amounting to ₹13.72 crore were pending as of December 2012 against audit figure of 17 UCs amounting to ₹68.74 crore.

The reply is however not acceptable as the UCs status submitted by SAMEER covered the period of allocation of grants up to 2010-11 and Audit coverage was up to 2011-12 wherein additional 10 UCs amounting to ₹53.10 crore were not submitted by SAMEER during the year 2011-12. This indicated that the grants were not being used in the year of receipt and hence, there was an urgent need for effective financial control by the Ministry, to ensure submission of UCs by SAMEER before the release of grants.

(ii) Sponsored funds

In the case of funds received against sponsored projects from Government Departments /Organisations the amount is separately maintained under a 'Fund' called 'Sponsored project funds' where the unspent balances of sponsored projects are parked. The year wise details are given below in Table-3.

Table- 3

(₹ in crore)

Year	Opening Balance	Funds received from sponsoring agencies	Total	Expenditure	Percentage utilisation	Funds Carried forward
2007-08	39.09	46.46	85.55	17.88	20.90	67.67
2008-09	67.67	32.84	100.51	21.09	20.98	79.42
2009-10	79.42	18.01	97.43	19.56	20.07	77.87
2010-11	77.87	31.01	108.88	24.51	22.51	84.37
2011-12	84.37	18.10	102.47	28.44	27.75	74.03
Total		**146.42**		**111.48**		

(Source - Annual Reports (2007–12) of SAMEER)

It can be seen from the above Table-3 that the percentage utilization of sponsored funds ranged between 20 and 28 *per cent* only. This resulted in parking of funds received from the sponsoring agencies in fixed deposits that ranged from ₹86 crore (2007-08) to ₹140 crore (2011-12) without being put to gainful use for the purpose for which they were granted in the respective financial years.

On this being pointed out by Audit (November 2012), the Ministry replied (February 2013) that higher Internal and Extra Budgetary Resource (IEBR) generated by SAMEER shows good financial health of the organization. They further added that the Cash and

Bank balance of ₹140 crore includes carried forward sponsored project fund (₹74.03 crores) and internal revenue (₹77.64 crores).

The reply is however not convincing as the sponsored project fund of ₹74.03 crore is the Government fund advanced by the concerned sponsoring departments and hence not to be treated an IEBR. Also IEBR has to be generated from internal resource and not from interest from Sponsored Funds given for specific purposes, without undertaking the assigned work. Further, out of ₹77.64 crore mentioned as internal revenue, majority of the amount of ₹39.68 crore is on account of interest from bank deposits which again is accrued due to parking of sponsored project funds in banks. Thus, most of the cash and bank balances represent the Government monies and interest element and not an outcome of the internal resource of SAMEER.

4.2.5.2 Non-formation of project Guidelines

The Governing Council is vested with full powers to approve general Guidelines to fix charges for services rendered by the Society including manpower charges, usage charges of facility created by the Society, methodology for arriving at project cost, terms and conditions of transfer of technologies, rate at which royalty to be collected etc. We observed (November 2012) that no Guidelines covering the above issues were framed and approved by the Governing Council. In the absence of general Guidelines, SAMEER was conducting project activities and transfer of technologies on ad-hoc basis without any stipulated rules and regulations.

The Ministry replied (February 2013) that SAMEER was executing almost all projects only for Government Departments/Ministries. Further, on the recommendation of internal committee constituted for the purpose of project costing guidelines, these Guidelines have been framed and are being followed.

The reply that the execution of projects is for Government Departments/Ministries does not allow SAMEER to execute these projects without proper rules and regulations. Further, the internal committee itself had stated that project costing guidelines were initial recommendations and further discussions were to be held with Cost Accountant/ Chartered Accountant for finalizing them.

4.2.5.3 Project implementation and its monitoring

The Director, SAMEER had constituted expert committees for each core project to monitor the progress. In respect of sponsored projects and Grant-in-aid projects, the sponsoring department appointed Project Review and Steering Group (PRSG) for periodical review of the project. The members of PRSG are nominated by the sponsoring department and invitees are decided by the Chairman of the Committee from SAMEER such as Chief investigators and Programme Directors.

We observed (November 2012) that though these committees were reviewing specific projects on a case to case basis periodically but there was no central monitoring mechanism or a project tracker system to monitor the progress of all the projects undertaken by SAMEER. Consequently, the overall progress of different projects could not be ascertained. On being pointed out (November 2012) by us it was stated (February 2013) that software tracker would be considered for implementation. The reply is indicative of a lack of overall monitoring of projects and control mechanism in SAMEER.

4.2.5.4 Grant-in-aid Projects

These are projects undertaken by SAMEER based on grants received from DeitY. SAMEER undertook 23 such Grant-in-aid projects during the period from 2007-08 to 2011-12, out of which 10 were completed as given below in Table-4.

Table-4

	Opening Balance of Grant in aid projects as of April 2007	Projects added during 2007 - 2012	Projects completed during 2007 - 2012	Closing Balance of Projects
Mumbai	3	12	6	9
Chennai	1	3	2	2
Kolkata	2	2	2	2
Total	**6**	**17**	**10**	**13**

Our examination (July and November 2012) of these projects revealed delays in completion of the projects ranging from 1 to 18 months in 7 out of 10 completed projects and delays of 10 to 39 months in 8 out of 13 ongoing projects.

We examined in detail four[7] out of 23 Grant-in-aid projects executed during the period 2007-08 to 2011-12 and found significant time and cost overrun. These are brought out in the succeeding paragraphs.

[7] (a) National Programme for the deployment of Integrated Medical LINAC System
(b) Project for Fabrication of LINAC Tube and Linear Accelerator
(c) Project on Development and Deployment of Hybrid Dryers
(d) Project on design and Development of Software Defined Radio

(i) National Programme for the deployment of integrated Medical LINAC system

(a) Phase I

DeitY approved "National Programme for the deployment of two indigenously developed 6 MV Integrated Medical LINAC[8] system for Cancer Therapy" (Phase-I) in March 2001 at a total outlay of ₹7.00 crore with a project duration of two years up to February 2003. We observed (November 2012) that both the Medical LINAC units were commissioned after delays of more than five years by May 2008 at a cost of ₹7.77 crore.

(b) Phase II of the programme

DeitY sanctioned Phase II of the project in February 2008 for deployment of four 6 MV integrated Medical LINAC machines in four different hospitals at a total estimated cost of ₹10.70 crore. The duration of the project was from March 2008 to August 2011. SAMEER however could not commission even one machine within the stipulated time and incurred an expenditure of ₹6.38 crore as on 31 March 2011 under Phase II of the project.

Project Review and Steering Group (PRSG) in September 2011 reviewed the project and expressed its concern on the time over run and suggested that SAMEER should become more efficient in time management.

The Ministry stated (February 2013) that the first unit will be commissioned in February 2013 and for next three units, 80 *per cent* work has been completed and would be commissioned in next few months. SAMEER again stated (September 2013) that the revised date of closure was 31 December 2013.

Thus, in spite of commissioning of two 6 MV Medical LINAC system in May 2008 under Phase- I, there were significant delays in all the four 6 MV Medical system being commissioned under Phase-II.

(c) Commercial production of Medical LINAC machines.

SAMEER was asked (March 2011) by PRSG to make efforts to transfer of technology (ToT) relating to 6 MV integrated Medical LINAC to the industry for commercial production at a reasonable cost. Accordingly, PRSG deliberated (September 2011) on the subject of ToT and recommended a ToT fee of ₹1 crore to be paid by each of the technology recipient. Director SAMEER was instructed (September 2011) by PRSG to

[8] Linear particle accelerator

write to industries to submit their financial bid within a short period and follow up in the next meeting of the PRSG at DeitY, New Delhi. No further progress was made as of August 2012.

In February 2013 the Ministry replied that M/s Panacea Medical Technologies was identified for ToT and first draft agreement was sent to the company.

We observed (November 2012) that even after more than four years of commissioning of 6 MV integrated Medical LINAC under Phase-I, the technology could not be transferred and the objective of R&D undertaken by SAMEER to develop indigenous Medical LINAC for commercial production at affordable cost was yet to be achieved.

(ii) Project for fabrication of LINAC tube and Linear Accelerator

DeitY approved (November 2005) establishment of a facility for batch fabrication of LINAC tube and Linear Accelerator at SAMEER, Navi Mumbai within a period of three years at an outlay of ₹24.88 crore. In December 2009, the project cost was revised to ₹27.58 crore with DeitY contributing ₹25.38 crore as grant in aid and SAMEER contributing ₹2.20 crore and duration of the project was extended up to December 2010.

We observed (November 2012) that the civil work relating to all activities was completed only in August 2010. Also the equipment procured for ₹59.73 lakh were lying idle for more than four years and six of the equipment required for the project were yet to be procured (September 2011). We further noticed that SAMEER had incurred an expenditure of ₹27.40 crore and the project was yet to be completed (February 2013).

The Ministry stated (February 2013) that SAMEER had appointed a Civil Expert Consultant and one Electrical Engineer on contract basis and almost all equipments were commissioned. The fact remains however that the project management by SAMEER was inefficient and tardy as the project was to be completed by 2008 but it remained incomplete till February 2013.

(iii) Project on development and deployment of Hybrid dryers

DeitY sanctioned a project in July 2007 to develop Hybrid Dryers and install two such machines in Sikkim and Tripura at a total cost of ₹98 lakh within a period of 18 months. DeitY in August 2009 enhanced the project cost to ₹1.03 crore with extension up to December 2009. The Hybrid Dryer was for drying of natural produce like vegetable, spices, tea etc.

SAMEER without taking into consideration the requirements of the user States, took the initiative to identify a site each in Sikkim and Tripura. The Sikkim Government gave no indication of acceptance and subsequently SAMEER decided to install the hybrid dryer in Assam for drying of tea. Accordingly it diverted the dryer from Sikkim and installed it at Tea Research Association (TRA) Jorhat in July 2009 and in January 2011 stated that since then they had been conducting trials on different type of tea.

Regarding the second dryer, the Government of Tripura had decided to install the proposed dryer at Ludhua Tea Estate site for Green Tea Processing. SAMEER stated (December 2011) that the hybrid dryer would be integrated with equipment purchased by Ludhua Tea Estate and indicated that the facility would be ready for installation of hybrid dryer by end of January 2012.

The Ministry stated (February 2013) that the entire delay was due to decisions of the user departments and the dryers had been installed by 2012.

The reply is not convincing as the whole project was undertaken without identifying the stake-holders requirements and their readiness to make available the infrastructure to adopt the new technology which resulted in delays of more than three years in installing and using the dryers.

(iv) Project on Design and Development of Software Defined Radio

Ministry of Communication and Information Technology, New Delhi sanctioned a project for Design and Development of Software Defined Radio (SDR) in April 2007 at a cost of ₹4.95 crore with C-DAC contributing ₹3.48 crore and SAMEER contributing ₹1.47 crore.

The project was commenced in April 2007 and completed partially in September 2008. The completion report mentioned that the project aimed at development of a prototype and ToT to the industry. Hence a roadmap was prepared for commercial version of SDR and SAMEER planned to have two or three variants of the SDR with applications to suit Defence, Utility Sectors and Commercial requirements. In January 2012, the Management stated that its scientists were engaged in many sponsored and core projects and manpower allocation could not be made to the second phase which could be considered at a later stage when on-going projects were completed.

We observed (November 2012) that the next stage of realisation of SDR did not take off even after four years of completion of the first stage of prototype development in 2008.

The Ministry stated (February 2013) that the design details of prototype and the hardware developed by SAMEER were with C-DAC and would be utilized by them.

The reply is not convincing as the efforts and money spent on development of a prototype SDR system by SAMEER could not be further utilised for the purpose for which it was developed even after four years of completion of the prototype development in 2008.

4.2.5.5 Sponsored Projects

Sponsored projects undertaken by SAMEER were funded by the Government Departments such as the Department of Science and Technology, Defence Research and Development Organisation and the involvement of private sector / industry was missing.

During the period 2007-08 to 2011-12, SAMEER completed 76 out of 116 sponsored projects as per the details given below in Table-5.

Table-5

SAMEER Units	Opening Balance of sponsored projects as of April 2007	Projects added during 2007 - 2012	Projects completed during 2007 - 2012	Closing Balance of projects
Mumbai	40	41	50	31
Kolkata	03	05	04	04
Chennai	09	18	22	05
Total	**52**	**64**	**76**	**40**

Our examination (July and November 2012) of these projects revealed significant time and cost overrun as brought out in the succeeding paragraphs.

(i) Delays in completion of sponsored projects

Out of 116 sponsored projects, 76 projects were completed and 40 were ongoing projects. Further, 47 out of 76 completed projects and 28 out of 40 ongoing projects were delayed. The delays in these projects ranged from 4 to 136 months. Besides, there was no provision in the projects for revision of costs when there was a time over run in completion of projects.

We examined in detail selected five major projects[9] involving delays and non-recovery of costs from the sponsoring organisations were observed (July and November 2012) and our findings are detailed below:

(a) Project on setting up of Electron Beam Centre and develop industrial accelerators

SAMEER entered into a MoU in October 1999 with the Bhabha Atomic Research Centre (BARC), Mumbai for "Scientific Collaboration to jointly set up Electron Beam Centre and develop industrial accelerators" at Belapur, New Mumbai. The time schedule for completion of design was by December 1999 and fabrication and testing by December 2000 and funds of ₹80.00 lakh were to be released to SAMEER in stages by Project Monitoring Group on recommendations from Project Coordinators. The MoU was extended from time to time and in October 2009 for a further period of five years up to October 2014. It was observed (July 2012) that BARC had released only ₹72.00 lakh and the cost escalation amount of ₹52.30 lakh was not released by them.

On this being pointed out (November 2012) by Audit, the Ministry stated (February 2013) that the BARC had now agreed to release the funds.

(b) Project on commissioning of a 6 MeV industrial linear accelerator

Vikram Sarabhai Space Centre (VSSC) placed a supply order on SAMEER in October 2007 for design, development, installation and commissioning of a 6 MeV industrial linear accelerator at a cost of ₹3.20 crore, scheduled to be completed by June 2009. SAMEER failed to complete the project within the scheduled time and by then had incurred an expenditure of ₹2.60 crore. Against this, SAMEER received only ₹1.68 crore from VSSC and ₹92 lakh was yet to be recovered (March 2011) from VSSC. The VSSC pointed out (May 2010) certain problems during the installation of the system. The system was dismantled and returned to SAMEER for reconditioning, which was finally commissioned and handed over to the user agency in March 2012.

On this being pointed out (November 2012) by us, it was stated (February 2013) that the Division was executing a few LINAC projects simultaneously. Since there was a constraint on the facilities and manpower, the projects were delayed. Also the contract staff working on these projects needed to be trained properly before they could be

[9] (a) Project on setting up of Electron Beam Centre and Develop Industrial Accelerators
(b) Project on Commissioning of 6 Me V Industrial Linear Accelerator
(c) Project on Commissioning of 6 Me V Linac System
(d) Project for Delivery of 12 sets of S-Band transponders
(e) Project on CDMA based Telecommunication(TC) system

allowed to work independently on some of the sub-systems. SAMEER further replied (September 2013) that the entire project cost had been received from the VSSC.

The reply is not acceptable as SAMEER had not initiated any action to address the issue of constraints on the facilities and manpower to avoid delays in execution of the projects undertaken by it.

(c) Project on commissioning of 6 MeV linac system

Advanced Systems Laboratory (ASL) placed a supply order in October 2004 on SAMMER for design, development, installation and commissioning of 6 MeV LINAC system at an estimated cost of ₹2.50 crore, scheduled to be completed by October 2006. SAMEER however failed to deliver the system within the scheduled time.

SAMEER stated (March 2011) that there was a delay in the initial phase of development as the LINAC tube vacuum processing equipment was under repair. It was further stated that the Society had taken up many LINAC projects in anticipation of their newly developing facility at Kharghar which got delayed for about two years. As a result, the LINAC projects had to be done with limited facilities at SAMEER, Powai campus leading to delays. The LINAC system was finally installed and commissioned in August 2011 and full payment received.

The reply is not acceptable as preparation of site within a reasonable time is part of the project execution. Inordinate delay of five years indicate inadequate synchronization and monitoring mechanism.

(d) Project for delivery of 12 sets of S-Band Transponder

ISRO Satellite Centre (ISAC) placed orders on SAMEER in March 2006 for 12 sets of S-Band Transponder at a cost of ₹2.40 crore. The first set was deliverable within 26 weeks, next two sets within 56 weeks and subsequently two sets in every six months thereafter. Four sets were delivered by July 2011.

It was observed (July 2012) that SAMEER had incurred ₹2.44 crore for four sets of S-Band Transponder while the value of the contract was ₹2.40 crore for supply of 12 sets indicating cost overrun. Further, SAMEER had received only ₹1.40 crore from ISAC against an expenditure of ₹2.44 crore resulting in short recovery of ₹1.04 crore.

On this being pointed out by us, it was replied (August 2012) that major cost was incurred towards manpower due to inordinate delay in supply of space grade components. The manpower was actually utilized for other ongoing R&D activities on time sharing basis but the booking continued against the S band project resulting in cost escalation. SAMEER again stated (September 2013) that two more sets were delivered in May 2013 and two sets were under development. For the remaining four sets, Space Grade components from ISAC was awaited. It was also stated that total expenditure incurred on the project was ₹2.94 crore against the received amount of ₹1.56 crore and the excess expenditure was met from the internal resources of SAMEER.

It is evident from SAMEER's reply that it could not obtain enough sponsored funds in time which resulted in spending of its own funds.

(e) Project on Code Division Multiple Access Based Telecommunication (TC) System

Integrated Test Range (ITR), Chandipur placed order for supply of Code Division Multiple Access (CDMA) Based TC System in March 2010 at a cost of ₹57.94 lakh. ITR paid an advance of ₹19.17 lakh in June 2010 and the system was to be delivered by June 2011. The system could not be developed due to delay in purchase of the components and modules.

In reply, it was stated (August 2012) that the delays were mainly due to release of funds and in future SAMEER would ensure that reasonable time schedules are projected in the proposals. However, SAMEER did not address the issue of delays in procurement. SAMEER further stated (September 2013) that the project was completed and the system delivered in July 2013. An amount of ₹50.38 lakh was spent against the receipt of ₹19.17 lakh and the excess funds were managed from its internal resources. It was also stated that the balance amount would be recovered on completion of evaluation.

It is again evident from SAMEER's reply that it could not obtain sponsored funds in time which resulted in spending of its own funds on sponsored project.

(ii) Deficiencies in Sponsored project approvals, costing and pricing

Requests are received from agencies to take up the sponsored projects and upon such request, SAMEER submits its projects along with quotations. We observed (November 2012) that no standard basis was adopted for preparation of quotations, discounts offered during price negotiation meeting and the Minutes of the price negotiation meetings were not on record. We also noticed that feasibility study assessing the existing resources in terms of finance, manpower and infrastructure was also not conducted while taking up new projects. The documentation of project files as a whole was poor in most of the cases.

On this being pointed out (November 2012) by us, it was replied (February 2013) that the project proposals were submitted in the format given by the Government sponsoring agencies. Due to time constraints and uncertainty of design, the feasibility project documents were not made in each case. Further, all the projects taken up by SAMEER were of different nature, requiring different kind of resources like infrastructure, manpower etc. and some of the projects required specialized infrastructure.

The reply that all the projects were of diverse nature and hence were not applicable to the basic uniform rule is not convincing. SAMEER should have clear guidelines regarding project approvals, costing and pricing for transparency and accountability.

(iii) Irregular expenditure in sponsored projects

Our examination relating to 54 sponsored projects completed during the period 2007-2012 revealed that in 10 sponsored projects, an irregular expenditure of ₹87.15 lakh was booked during 2011-12 as given below in Table-6.

Table-6

Sl No.	Project name	Date of completion	Advance from Sponsor	Total Expenditure	Balance as of 31-03-2012	Irregular Expenditure during 2011-12
			(₹ in crore)			(Amount in ₹)
1	Height sensing device	13-01-2011	1.15	0.61	0.54	9957
2	9 MV Linear Accelerator	26-02-2010	4.82	4.70	0.12	1198336
3	KA Band active Radar seeker	28-02-2009	1.74	1.76	-0.02	69077
4	Variable altitude switch	07-03-2007	0.85	0.66	0.19	2123227
5	HP RF Transmitter	04-12-2010	1.40	1.45	-0.05	902950
6	Dev of Radiotheodolite	16-03-2011	1.16	0.69	0.47	129408
7	Dev of Altimeter	22-04-2010	1.65	0.70	0.95	3449937
8	Phased array sodar-VSSC	31-03-2009	0.40	0.39	0.01	9078
9	Phased array sodar-DAE	28-04-2010	0.25	0.18	0.07	290621
10	Phased array sodar-Kalpakkam	15-03-2011	0.25	0.20	0.05	531985
	Total		**13.67**	**11.34**	**2.33**	**8714576**

It can be seen from the above Table-6 that even after one to five years of completion of the sponsored projects (i) expenditure was being irregularly booked during 2011-12 (ii) the balance of advance amounting to ₹2.33 crore from sponsors was not refunded (iii) in two projects viz. KA Band Active Radar Seeker and HP RF Transmitter, the expenditure was more than the advance paid by the sponsors. These irregularities reflect on poor accounting due to lack of a policy on project costing, expenditure booking, project closure and financial closure of the project.

SAMEER stated (December 2012) that technically projects were closed after initial delivery of the system. However, manpower was still retained since user agencies needed to carry out necessary tests before closing the projects and releasing the final installments. Manpower was also needed to take care of breakdowns, maintenance, up gradations etc. It was further stated that R&D Projects cannot have such sharp cut off points of project closure immediately after the project delivery and hence they considered a project to be completed only when all the technical commitments were fulfilled and the full payment was received.

The reply is however not convincing as it has not addressed the issue of having a clear policy on technical and financial closure of the projects so that irregular booking of expenditure under completed projects is avoided.

Our findings in some of the projects examined as a test check, also revealed that due to lack of a policy regarding project completion, wrong bookings and additional expenditure was incurred even after completion of the projects. These are brought out in the following paragraphs.

(iv) Irregular expenditure after completion of sponsored projects

(a) Project on Hand Held data computer

SAMEER entered into an MoU with the India Meteorological Department (IMD) for supply of 60 numbers of Hand Held data computer at a cost of ₹31.80 lakh. The equipment was delivered to IMD by March 2008 and entire payment of ₹31.80 lakh was also received by March 2008. We observed (November 2012) that an expenditure of ₹16.75 lakh was incurred under this project even after delivery of the equipment in March 2008.

SAMEER stated (December 2012) that the expenses incurred during 2008-2011 were on account of salary and spare consumables used for R&D work done for the projects under the umbrella MoU between SAMEER and IMD.

The reply is not convincing as the project in itself was an independent project and income/expenditure on this project was accounted for separately. Hence technical and financial closure of the project should be independent of the other projects under the umbrella MoU.

(b) Project on Design, Development and Supply of one set of Fire Control System

Machine Tools Prototype Factory placed Orders in March 2006 for Design, Development and Supply of one set of Fire Control System related sub-system for Kavach MOD II at a cost of ₹1.17 crore. SAMEER supplied the item within the due date in April 2007. We observed (November 2011) that as against the receipt of ₹1.17 crore, SAMEER had incurred an expenditure of ₹1.57 crore resulting in excess expenditure of ₹40 lakh.

SAMEER stated (January 2012) that the difference was due to salary of contract employees working in other projects which was erroneously booked under this project till November 2011. It was further stated that the expenditure would be rebooked to the concerned projects.

The Management reply confirmed the poor accounting and wrong booking of expenditure under the project even after its completion.

(c) Project for supply of 10 Variable Altitude Switch

Research Centre IMARAT (RMI), Hyderabad placed an order (November 2005) on SAMEER for supply of 10 Variable Altitude Switch at a cost of ₹85.00 lakhs. The delivery was to be completed by 30 April 2006 and SAMEER delivered all 10 units to RMI by March 2007. SAMEER received ₹85 lakh from RMI but incurred an expenditure of ₹45 lakh and balance ₹40 lakh was lying under this project as of March 2011. We further noticed (November 2012) that an expenditure of ₹21.23 lakh was incurred towards contract staff salaries, consumables, travelling and miscellaneous expenses during the year 2011-12 although all 10 units to RMI were delivered by March 2007. This indicated that the project was not closed even after its completion.

SAMEER stated (January 2012) that the actual flight testing in missile was pending though SAMEER's commitments were completed. However, the fact remains that SAMEER had not closed the project as on date.

(d) Project for design and development of Radar Altimeter

Aeronautical Development Establishment (ADE) sanctioned (June 2007) a project for development of Radar Altimeter at a cost of ₹1.65 crore. The product was delivered to ADE in April 2010 and SAMEER had incurred an expenditure of ₹35.25 lakh. There was a saving of ₹1.30 crore under this project and the project was not closed (March 2011).

The Ministry replied (February 2013) that in this project, the participation of SAMEER during mission checkouts is an ongoing process and it normally happens much after deliveries are completed. Further, environmental testing, EMC testing, field evaluations in actual aircrafts are user prerogative. All these variables are included in full at the time of project costing.

The Ministry's reply is not acceptable as it did not provide reasons for non-incorporation of a specified period in the contract for completion of Environmental testing, EMC testing, field evaluations etc.

(v) Non-recovery of dues from sponsoring agencies

SAMEER has not realised dues of ₹1.81 crore towards eight sponsored projects as detailed below in Table-7.

Table-7

Sl No	Title of the project	Name of sponsorer	Month/Year of completion	Pending dues as of Sep 2012. (₹ in crore)
1	15 MeV Medical Linac	DOE	March 2006	0.03
2	Design and development of high power components for RF accelerator	DAE	March 2007	0.14
3	KA Band active radar seeker	DRDO	February 2009	0.73
4	Poly optical wave guide	DST	September 2010	0.06
5	Height sensing device	DRDL	January 2011	0.07
6	Development of Radiotheodolite	IMD	March 2011	0.38
7	Linac tube for 4 MeV-ASL	ASL	March 2011	0.12
8	6 MeV Linear Accelerator	HEMRL	November 2011	0.28
	Total			**1.81**

It was evident that most of the projects were completed one to six years back but the dues were yet (September 2012) to be recovered from the sponsoring organisations/ departments.

On this being pointed out (November 2012), it was stated (February 2013) that in respect of project relating to Height sensing device, an amount of ₹7.00 lakh had been recovered in January 2012 and similarly in project relating to development of Radiotheodolite, part payment of ₹21.79 lakh was recovered in April 2012. It was further replied that the dues were from Government Departments and recovery process was underway.

SAMEER needs to strengthen its monitoring and revenue realization mechanism so that dues are collected in time.

4.2.5.6 Core Projects

Core projects are projects executed by SAMEER out of funds received from DeitY. These Projects are initiated by SAMEER based on new technologies related to its domain knowledge and expertise. We observed (November 2012) that SAMEER did not have consolidated statistics of all the core projects undertaken by it over the years as given below.

Inadequate documentation of core projects

Maintenance of complete project documentation including project proposals, progress reports, completion reports and project evaluation reports is essential for efficient project management, monitoring and review. We noticed (November 2012) that SAMEER did not maintain adequate documentation in respect of the in-house/core projects, thereby rendering the whole process non-transparent and not amenable to subsequent review. It was further observed that the proposals, approvals and files relating to the core projects were not on record. Besides, the expenditure sanctioned and incurred on core projects was not monitored and project-wise budgeting was not maintained.

On being pointed out (November 2012), the Ministry stated (February 2013) that the project files of core projects, approval of Research Advisory Committee, achievements and other documents relating to the projects would be made available in future. Also action had been initiated to improve the documentation of the Core/in-house projects for new core projects starting from the year 2012-13. It was also stated that SAMEER suffered from inadequacy of man power for R&D Projects.

Although SAMEER has given an assurance for improving the maintenance of records relating to Core Projects, specific guidelines for its implementation was awaited (February 2013).

4.2.5.7 Intellectual Property Rights

Ministry of Science and Technology has brought out comprehensive guidelines for implementing Research Projects wherein the institutions seeking grants for R & D purposes are required to seek protection of Intellectual Property Rights (patents, registered designs, copyrights and lay out design of integrated circuits) to the results of research on their topics. To facilitate this, a separate patent fund is operated which provides the funding for obtaining the IP rights.

We observed (November 2012) that in SAMEER, no such initiative was taken and during the last five years only three patents were obtained and there was only one case of transfer of technology, although many scientists were engaged in R&D activities on which more than ₹ 200 crore were spent during the last five years. This reflects poorly on the quality of R&D output by SAMEER. Hence SAMEER should have a clear policy on IPs.

The Ministry stated (February 2013) that SAMEER was working in strategic areas and executing projects for defence, space and atomic energy laboratories and the work carried out in these projects could not be widely publicized. In view of this, no patents were filed for the strategic work done in the institution. Further, the patents filing is a very elaborate and lengthy process which needs a lot of documentation and due to huge technical workload and shortage of manpower, filing of Patents gets delayed.

The reply is not convincing as Memorandum of Association of SAMEER provides for adopting effective measures to take the R&D outputs towards commercialization and proliferation to address the requirements in the country and outside. Hence, SAMEER needs to set in place a clear policy regarding IPs. Its R&D efforts should also culminate in obtaining patents, ToT and commercialization of technology.

Transfer of Technology (ToT)

The Research Advisory Committee in March 2008 had reiterated that projects should be based on state-of- the-art technology, which would find users at the shortest possible time.

We observed (November 2012) that no guidelines were framed for Technology Transfer and thus SAMEER could not decide the strategy for ToT. During the last five years, SAMEER was able to transfer technology only in one case. Further, the companies which purchased the technology also did not commercially exploit the same.

The Ministry stated (February 2013) that the product or technology developed by SAMEER demands understanding of multidisciplinary complex technologies. Also each product developed cannot be commercially exploited since the number of units required may not be very large. However, SAMEER has taken action by forming (February 2013) a committee for identifying the products and giving guidelines to be followed in the case of ToT.

The reply is not convincing as no concrete long term proposal has been finalized to take care of commercialization of technologies developed by SAMEER.

Conclusion

SAMEER was constituted for the promotion of research and development in the areas of Microwave Engineering and Electromagnetic Engineering Technology with the objective of carrying out R&D activities in the areas of its expertise, to engage in product development driven by technology and user requirement, to provide test and measurement services and transfer of technology to the industry.

Our examination of projects undertaken by SAMEER revealed weak financial management, non-formulation of project guidelines, lack of centralised project implementation and monitoring system, deficiencies in costing and pricing besides lack of well-defined policy on intellectual property rights, transfer of technology and patent rights. Further, even after spending more than ₹200 crore during the last five years, SAMEER was able to get only three patents and one case of transfer of technology which reflect on the inadequate quality of its R&D output.

Recommendations

- ***SAMEER may frame project Guidelines so as to ensure that project activities and transfer of technology are carried out under stipulated Rules and Regulations.***

- ***SAMEER may strengthen its Project appraisal system to ensure timely completion of the projects within the approved cost.***

- ***SAMEER may strengthen its financial management system so that fund flow and their utilisation are commensurate with its scale of operations.***

- ***SAMEER may implement a centralized project monitoring system for overall control of the various projects undertaken by it.***

- ***SAMEER may ensure that there exists a system whereby after technical and financial closure of projects no expenditure can be booked against the projects.***

CHAPTER-V
PSUs UNDER THE MINISTRY

5.1 Land Management in Bharat Sanchar Nigam Limited

5.1.1 Introduction

Bharat Sanchar Nigam Limited (BSNL), a wholly owned Company of the Government of India, was incorporated on 15 September, 2000 under the Companies Act, 1956 and commenced commercial operations on 1 October, 2000. The business of providing telecommunication services in the country other than Delhi and Mumbai, hitherto managed by erstwhile Department of Telecom Services (DTS) and the Department of Telecom Operations (DTO) under Ministry of Communications, was transferred to the newly formed Company. All assets and liabilities of the DTO and DTS, valued provisionally at ₹63,000 crore, were transferred to BSNL (Company). The Company has at present huge tracts of land, both inherited and acquired, located at different places under different Circles of the Company.

5.1.2 Organizational setup

The administrative and operational control of BSNL is vested with the Board of Directors, headed by the Chairman and Managing Director (CMD) who is assisted by functional Directors in charge of Technical, Finance and Human Resources.

Land inherited/acquired by the Company is managed by the Civil Wing of the Company, headed by Principal General Manager/Building Works (PGM/BW) at the Corporate Office, New Delhi. The PGM reports to the Executive Director (New Business)/ Director (Enterprises) at the Corporate Office. At the circle level, Chief General Managers (CGMs), who are the heads of Circles manage lands under their jurisdiction and are supported by the heads of Secondary Switching Area (SSA). The former report to the Principal General Manager/BW for any issues relating to the land under their control.

5.1.3 Audit Scope and Methodology

The scope of the audit is confined to the examination of effectiveness of management of land inherited by BSNL from the Department of Telecommunications (DoT) on its formation as well as land acquired subsequently by the company. Audit was conducted from May to September 2012 through examination of records/files/reports of the company relating to Land Management in the Corporate Office/ Circles / SSAs and joint verification of land assets in different SSAs under the Circles with the Executives of audited entities.

At the Corporate Office level, soft copy of the data was collected from the Civil Wing of BSNL Corporate Office. Review of specific issues such as encroachment, vacant plots, fresh procurement of plots, cancellation of allotment of plots, non execution of sale/lease deed and commercial exploitation were test checked in 67 out of 265 SSAs across 15 Circles. The audit findings were issued to Ministry and Management in October 2012. Reply of Ministry and Management was received in February 2013. Further, in May 2013 Management submitted a clarification on its earlier reply on valuation of land.

A list containing States, Circles and number of plots covered in audit at SSA level is given in **Annexure-XI**.

5.1.4 Audit Objectives

The thematic audit of Land Management in BSNL was undertaken with a view to assess:-

- Whether the Company had an effective land management in place.
- Whether the land assets held by the Company, had been transferred in the name of the Company.
- Whether the Company took prudent and effective measures for utilization of vacant land and adequate safeguards were in place to prevent encroachment of land.
- Whether process of fresh acquisitions of lands were complete and were utilized for the purpose for which it was acquired.

5.1.5 Audit Criteria

The main criteria for conducting the audit were:

- orders issued by the DoT at the time of incorporation of the Company regarding transfer of assets and liabilities particularly land;
- orders issued by the Company/DoT from time to time regarding alienation/mutation/transfer of inherited land assets in the name of the Company;

- justification for acquisition of any new land since formation, proper utilisation of inherited/acquired land, measures taken for prevention, detection and removal of encroachment, commercial exploitation of vacant plots and general practices usually adopted for efficient land management.

5.1.6 Audit Findings

Significant audit findings observed during the course of audit are given below:

5.1.6.1 Valuation of land

BSNL inherited huge tracts of land from the DoT in the year 2000. The Company does not however have a laid down Land Management Policy (May 2013). Procurement of land is carried out by the authorized functionaries as per the delegation of Financial Powers of the Company. PGM (BW) which heads the Civil Wing of the Company at Corporate Office is mandated to maintain the database of the land bank of the company.

Audit analysis of the data disclosed that

i. As per details of land holdings contained in the MIS (Management Information System) maintained by the Civil Wing, the total number of plots, area of the plots, freehold/leasehold, cost of acquisition i.e. book value, present value, lease period etc., Circle-wise and SSA-wise, in respect of 44 out of 45[1] circles of the company was available as on 26 September 2012. The Company inherited[2] from the DoT 12194 plots[3] measuring 406.31 lakh square meters[4] with book value of ₹3103.03 crore[5] located at various places. After formation of BSNL, the company had acquired/ taken on lease 2788 plots measuring 34.5 lakh square meters[6] with book value of ₹380.41 crore[7] **(Annexure-XII)**. Thus the total book value of the land as per the MIS data of Civil Wing was ₹3483.44 crore[8].

ii. However, as per the audited accounts of the Company for the year ended 31 March 2012, the value of the land i.e. Cost of acquisition was shown as only ₹1130.81

[1] Information on IT Pune circle was not available at Corporate Office (civil wing).
[2] 01.10.2000/2000 is treated as the cutoff date for considering the plot as inherited.
[3] Free hold:11446; Lease hold:748
[4] Freehold land: 371.76 lakh square meters ; Leasehold land: 34.55 lakh square meters
[5] Freehold land: ₹3039.32 crore; Leasehold land : ₹63.71 crore
[6] Freehold: 31.23 lakh square meters; Leasehold:3.27 lakh square meters
[7] Freehold: ₹363.72 crore; Leasehold: ₹16.69 crore
[8] Freehold: ₹3403.04 crore; Leasehold: ₹80.40 crore

crore[9]. Compared to the MIS data, the book value of the land was grossly understated in the accounts which were reported in the Annual Report (2011-12) of the Company, to the extent of ₹2352.63 crore.

In reply to the audit observation, Ministry stated (February 2013) that the data on MIS site was not yet fully purified and that the process of purification was still in progress and would be finalized after mutation of all lands in the name of the Company. Further it was stated that as per the data downloaded from MIS site on 02 January 2013 , the total book value was ₹923 crore (approx.) only which tallied with audited accounts of BSNL. Further, all the Circles had already been requested to reconcile the difference in the book value of their Circle.

The reply of the Ministry confirmed that updation of the land data and the reconciliation of book value between MIS data and audited accounts was still in progress despite the formation of the Company in 2000 which affected the fair representation of its value in the audited accounts of the Company. The fact remained that there were three sets of figures for book value of land in the Company. Land value as per audited accounts as on 31 March 2012 was ₹1130.81 crore (Gross Block) while MIS site value was ₹3483.44 crore and ₹923 crore as on 26 September 2012 and 2 January 2013 respectively. This is a matter of serious concern which needs immediate reconciliation for correct valuation of the Company to protect the interest of the Company in the event of stake sale/disinvestment/capital restructuring.

5.1.6.2 Title deeds of inherited plots not transferred in the name of BSNL.

After the transfer of the land assets to BSNL, DoT vide office memorandum dated 30 September 2000 authorized that the transfer/mutation/alienation of these assets and liabilities should be completed by 31 December 2000. Audit observed that:

i. All inherited plots numbering 12194[10] measuring 406.31 lakh square meter[11] of the Company (Refer Annexure-XII), were not transferred/ mutated in the name of the Company as on 31 March 2012.

ii. BSNL Corporate Office initiated the process of validation of land data in September 2011, and accordingly addressed all heads of telecom units to complete the verification of inherited Land and Buildings of their own territories. The task was to be jointly conducted by concerned Controller of Communication Accounts (CCA) on behalf of Department of Telecommunications (DoT) and BSNL officials were to

[9] Freehold: ₹956.14 crore; Leasehold: ₹174.67 crore

[10] Freehold: 11446; Leasehold: 748

[11] Freehold: 371.76 lakh square meter; Leasehold: 34.55 lakh square meter

ensure early transfer of assets in the name of Company from DoT. The process was targeted to be completed by 30 September 2011.

iii. The Circle authorities were asked (22 December 2011) to complete the process latest by 31 December 2011, the date fixed by Minister of Communications & Information Technology, for transfer of the assets to the Company. However, 37 Circles failed (January 2012) to adhere to target dates fixed by Corporate Office. Verification of the land by associated CCAs had been completed only in seven Circles[12] (September 2012) and based on this validation of data, the Company had initiated action by issuing instructions, as per the directions of DoT, for transfer/mutation of lands in only those seven Circles.

Ministry while confirming (February 2013) that no assets were mutated in the name of BSNL as on 31 March 2012, stated that the verification of assets along with the concerned CCAs was a huge task which involved a chain of activities to be performed by different individuals and was taken up in all circles simultaneously and the same was in progress. Further, DoT allowed for the mutation of assets of Haryana Circle in the end of March 2012 and that the same was extended to 41 Circles in respect of lands having clear revenue records excluding vacant lands/disputed lands/shared lands and lands retained by DoT.

It is evident from the reply that the verification of land was yet to be completed despite setting of target dates for its completion which contributed to delay in mutation of assets.

5.1.6.3 Vacant plot not commercially exploited

As on 31 March 2012, the Company had 1953 plots with freehold rights[13] measuring 32.46 lakh square meters kept fully vacant across the country in 29 circles.

Audit observed that:

i. 1719 plots[14] measuring 27 lakh square meters in selected 15 Circles were kept fully vacant **(Annexure - XIII)** out of the total freehold plots of 11352[15] measuring 307.82 lakh square meters[16] as indicated in **Annexure-XIV**.

---

[12] Haryana, NE-I, NE-II, Chhattisgarh, Chennai TD, J & K and Punjab

[13] Inherited:1157 ; Acquired:796

[14] Inherited: 988; Acquired:731

[15] Inherited :9031; Acquired;2321

[16] Inherited: 280.58 lakh square meters; Acquired:27.24 lakh square meters

ii. In 25 out of selected 67 SSAs under 15 Circles, Audit observed that 119 plots covering an area of 1.70 lakh square meters with a book value of ₹7.60 crore were lying vacant (March 2012). **(Annexure-XV)**.

iii. To guard against the increasing menace of encroachments of Government plots, DoT had issued detailed instructions on protective measures to prevent encroachment. BSNL Circle Management also instructed SSAs to ensure complete protection of land by taking adequate steps to protect the vacant plots. Despite these instructions, plots were kept vacant for long periods without any protection which exposed plots to the risk of encroachment. Details of encroachment of land are given in subsequent paragraphs.

iv. To ensure effective utilization of its land, the Company during June, 2008 had started an exercise to explore possibilities to commercially exploit the vacant plots under its possession. Accordingly, the Circles were asked to identify vacant plots under their jurisdiction. A test check of records in selected 67 SSAs under 15 Circles revealed that only in three Circles, concerned CGMs had sent proposals identifying potential plots for commercial exploitation as given in Table-1 below. However a final decision was pending at Corporate Office for commercial exploitation of plots.

Table-1
Vacant plots identified for commercial exploitation

Sl No	Circle	Name of SSAs	No of plots	Area (in Sq.mt)
1	Andhra Pradesh	Hyderabad TD	6	78384.00
2	Kerala	Thiruvananthapuram TD	12	40554.00
3	Kolkata TD	Kolkata Metro District	2	4172.00
Total			**20**	

Thus due to continued inaction at Circle level in submitting the proposals for commercial exploitation of vacant plots and also at the Civil Wing of Corporate Office to take a decision on the proposals received, the company could not generate additional revenue through commercial exploitation of its vacant lands to augment its Working Capital.

Ministry stated (February 2013) that the Articles of Association (AoA) of BSNL prevented the Company from sale, lease & disposal of any land and/or building having an original book value of ₹1 crore (₹ one crore) and above without the approval of the President. The same has since been amended (11 January 2013) enabling the company to

Lease/rent agreement of spare-able capacity of buildings up to 10 years without the approval of the President. Consequently BSNL has taken steps to monetize its real assets and a Pilot Project has been taken up for commercial exploitation of 10 plots of lands. On successful execution of this project, commercial exploitation of other vacant plots shall be undertaken by BSNL to generate revenue.

The reply of the Ministry is not acceptable as the proposal for amendment of AoA was mooted only in March 2012 for which approval was accorded by the Administrative Ministry in September 2012 and AoA were amended. The amendment has given powers to exploit spare-able capacity of building for not more than ten years and not for unused and vacant land which requires the approval of the President. Moreover, the earlier restriction was imposed in respect of buildings with an original book value of ₹1 crore and above which has since been made more restrictive and severe by not allowing the Company to sell/lease/dispose of any land without the approval of the President.

5.1.6.4 Encroachment of Land

Inherited as well as newly acquired plots to the extent of 8.46 lakh square meters were encroached.

A test check was carried out in 15 Circles by Audit. It was noticed that out of 307.82 lakh square meters of freehold land in 11352 plots under possession, 9031 plots were inherited and remaining 2321 plots were acquired by BSNL between January, 2001 and March, 2012 (Refer Annexure-XIV). Audit of land records pertaining to the Company disclosed that

i. 8.46 lakh square meters of land[17] in 101 plots[18] in selected Circles was found encroached as detailed below in Table-2 :

[17] Inherited: 8.05 lakh square meter; Acquired: 0.41 lakh square meter

[18] Inherited: 79 plots; Acquired: 22 plots

Table – 2
Details of Encroachments of Land

(Area in Sq. mt)

Sl. No.	Circles	Total Plots				Encroached			
		Inherited		Acquired		Inherited		Acquired	
		Number of Plots	Area	Number of Plots	Area	Number of Plots	Area	Number of Plots	Area
1	Gujarat (incl. Ahmedabad TD)	1067	2429583.1	483	479412.7	3	17404	0	0
2	Andhra Pradesh	1086	2742275	314	217318.3	5	40537.3	0	0
3	Karnataka (incl. Bengaluru TD)	1001	2391255.96	309	245715.62	1	809.6	1	278.7
4	Bihar	322	838351.1	24	41652.75	9	105278	1	263.13
5	Chennai TD	102	875730.3	4	3726	0	0	0	0
6	Tamil Nadu	764	2177557.98	110	137383.33	1	1249.82	2	2250
7	Kerala	609	1603250	103	177395.4	3	4659	0	0
8	Kolkata TD	66	641599	1	2833	2	8901	0	0
9	West Bengal	154	842929.9	7	14070.03	1	227275	0	0
10	Madhya Pradesh	802	2578086.55	399	559589.04	27	92382.42	10	21897.48
11	Maharastra	1155	4122724	376	474873.54	14	225388.9	6	12934
12	Orissa	168	603867	21	74663	4	35946	2	3332
13	Punjab	326	1186944.99	31	81542.24	1	4104	0	0
14	Rajasthan	696	2521931.5	123	147890.9	4	14985	0	0
15	UP (East)	713	2502113	16	65749.03	4	26551.16	0	0
Total		**9031**	**28058199.38**	**2321**	**2723814.88**	**79**	**805471.17**	**22**	**40955.31**

(Note: Figures have been compiled from down loaded data from BSNL Civil MIS.)

ii. Further examination of land records in selected SSA's carried out (May to September 2012) by joint inspection team of Audit and BSNL disclosed that 29 plots[19] measuring 1.70 lakh Square meters[20] had been encroached as detailed in **Annexure-XVI** (eight of these plots were encroached after formation of the company i.e. after 01 October 2000). It was observed there were no barbed wire/ fencing/ compound wall to protect the plots and no legal proceedings were initiated to evict the encroachers in certain cases (Morena and Indore SSA).

iii. Further, even the Circle authorities were not aware of the encroachment in certain SSAs which was brought to their notice by the Audit consequent to joint inspection/data analysis of the data made available. The Management replied that action would be taken to lay the fencing and call for reports on encroachment from concerned SSAs. Further the Management stated that legal action has been

[19] Inherited: 25; Acquired 4

[20] Inherited: 1.66 lakh square meters ; Acquired:0.04 lakh square meters

taken to get the encroachers evicted in other cases where it was noticed by the Management.

iv. Delay in mutation of property in the name of the Company adversely affects the legal proceedings of getting the encroachers evicted. It was also observed that the concerned SSAs did not regularly monitor the status of vacant plots held by them to ensure absolute protection of the properties through fencing, putting up signboards etc. even though Circle Management instructed its SSAs to keep strict vigil over vacant plots to prevent encroachment.

Thus BSNL had neither been able to keep its inherited land free from encroachment nor could it protect fresh plots acquired from encroachment.

Ministry stated (February 2013) that less than 1 *per cent* of the plots were encroached. However, CGMs had been instructed to verify the details submitted by Audit and to get the encroachment cleaned up by taking legal action and also to keep strict vigil over the vacant plots to prevent any further encroachment.

5.1.6.5 Acquisition of Land

(i) Sale/Lease deed of 82 plots of land not executed despite payment of ₹3.38 crore

Execution of title deed/lease deed after finalization of land deal is a primary necessity to ensure absolute possession of such land whether taken on leasehold or through direct purchase. Non completion of the purchase process by the company may finally lead to complete erosion of claim on such land/cancellation of lease affecting the performance of the Company.

A test check of records in Audit revealed that in four SSAs[21], the Company has taken on lease 17 plots measuring 0.12 lakh square meters of land for periods ranging from 30 years to 99 years. The Company paid a premium of ₹0.64 crore for taking the plots on lease for the purpose of establishing exchanges/Remote Line Unit. However the Company did not enter into a lease agreement for the said plots. This had resulted in avoidable payment of premium amounting to ₹0.64 crore and consequential loss of interest thereon. Further it was observed that in five[22] SSAs under two Circles the Company acquired 65 plots of land measuring 0.85 lakh square meters with a book value of ₹2.74 crore but no sale deed was executed for the same. **(Annexure-XVII)**.

---

[21] Ahmedabad, Surat, Jaipur and Udaipur.

[22] Surat, Himmatnagar, Junagarh, Chandigarh and Bharatpur.

Ministry stated (February 2013) necessary instructions had been issued to all the CGMs to complete the purchase process in the best interest of BSNL.

(ii) Non submission of alienation proposals in respect of land measuring 0.32 lakh square meters with book value of ₹7.38 crore.

Government of Andhra Pradesh had allotted vacant lands measuring 32307.1 square meters to Telecom Department for construction of Telephone Exchanges and support services during 1981-2001 for a total consideration of ₹7.38 crore. For completing the transfer process, DoT/ BSNL was required to procure and submit alienation proposals to the Government of Andhra Pradesh. Audit observed that this had not been done in any of these cases either by the DoT or by the Company even after 11 years of formation of the Company.

It was observed that one of the land/plots measuring 2543 square meters for which an amount of ₹1.58 crore was paid as consideration was resumed by the Government of Andhra Pradesh in 2005 as the same remained vacant/unutilized since it was allotted in 1998 and was not transferred legally to the DoT/Company.

The Circle Management replied (February 2012) that legal notices were issued on 21 December 2006 and that the case was being vigorously pursued with the concerned authorities to get back the land and evict the encroachers. Further, it was stated that alienation proposals in respect of other allotted lands were being taken up with the concerned authorities' i.e. District Collector.

The reply of the Circle Management is not acceptable as the fact remains that the revenue authorities had resumed the land and allotted the same to Sikh Community Welfare Association in November 2005. Thus due to non utilization of the land allotted and delay in getting the land alienated in the name of the Company, the Company had to suffer not only the loss of 2543 square meters of land but also an amount of ₹1.58 crore. There may be every likelihood of more such cases in other Circles since the above observation was based on a test check by Audit in Andhra Pradesh.

Ministry stated (February 2013) that all units have been directed to get the lands mutated in the name of BSNL at the earliest.

(iii) Land measuring 1690.40 square meters surrendered without receipt of adequate compensation/allocation of alternative site.

Audit examination of records in selected circles (Refer Annexure –XI) revealed that in Karnataka and Tamilnadu Circles, BSNL had to surrender 1690.40 square meters of land with book value of ₹0.79 crore without adequate compensation/consideration as detailed below.

In Bengaluru (Karnataka Circle), Bangalore Mass Rapid Transport Ltd.(BMRCL) - Metro Rail Project acquired (August 2005) 557.40 square meters of land which was procured by BSNL during January 2004 at a cost of ₹0.79 crore. The organization agreed to offer alternate site measuring 525.20 square meters and paid cash compensation of ₹7.97lakh for unused quantum of land measuring 32.21 square meters. But the alternative plot was not allotted to BSNL even after a lapse of seven years. The Circle Management of BSNL replied that the case was being pursued with concerned authorities in BMRCL for allotment of alternative equivalent site in lieu of land ceded.

In Tamilnadu circle (Trichy SSA) during 2003, 1133 square meters of land with a market value of ₹3.46 lakh was acquired by National Highways Authority of India (NHAI) for road widening work. No compensation for the land was given by the NHAI till date. Circle Management stated (May 2012) that the case for compensation could not be pursued due to non availability of records.

Ministry while stating (February 2013) that report from concerned circles have been called for and, had issued directions to all the CGMs to ensure that there were no such cases in their units and also to pursue the pending cases vigorously to obtain appropriate compensation or alternative piece of land, as the case may be.

Conclusion

Even though the Company has been in existence for more than a decade, it still does not have an effective Land Management Policy. In the absence of this, the company which possesses huge tracts of freehold land measuring 402.99 lakh square meters has been unable to protect its land from encroachment/cancellation of plots due to abnormal delay in getting the inherited plots transferred/mutated/alienated in the name of the Company. Further the loss making Company was not able to commercially exploit its vacant land and take leverage of the same to generate additional revenue. There was also an abnormal variation in the book value of the inherited land and leasehold land on account of difference between the records of Civil Wing of Corporate Office and the audited accounts of the Company resulting in undervaluation of the assets of the Company. The Company should expedite the completion of mutation process in the Circles to take leverage of vacant high value lands.

5.2 Injudicious procurement of 288F[23] High count Optical Fibre cable

Injudicious procurement of 288F high count Optical Fibre cable by BSNL without demand from field units resulted in non-utilisation of more than 50 *per cent* of the cable received for more than three years, leading to blocking of funds amounting to ₹41.30 crore.

The Procurement Manual of Bharat Sanchar Nigam Limited (BSNL) provides that the starting point of the procurement process for any item should be the estimation or forecast of its requirement. It further provides that the forecast is to be obtained from the concerned user branches who plan for the induction of equipment and requirement of such equipment by each Circle which is worked out after discussion with the concerned head of the Circle and finalized by the Planning Branch. In BSNL, the Optical Fibre cable (OFC) network works are executed by Telecom Project Circles and the assets are transferred to the Territorial Circles (who are end users) after completion of the works.

High count fibre cables (48F and 96F) are being deployed by BSNL in its Overlay Access Network (OAN) which is meant for preparing network for the roll out of 'Fibre to the Home' (FTTH) services. These High count fibre cable deployed in OAN meet the requirements of GSM[24], Broadband and for providing high speed Leased Line Services to enterprise segment, on immediate basis.

In order to firm up the plan for implementation of FTTH by having state of the art fibre based access network, BSNL Corporate Office placed orders for the procurement of 3,000 km of 288F cable on five vendors in August and September 2008 and the cable was allotted to five Project Circles[25]. Audit scrutiny of records (2010-11 and 2011-12) indicated that procurement of 288F cable was done without due diligence and without assessment of requirement from the concerned Telecom Project Circles which ultimately resulted in 52.16 *per cent* of cables costing ₹41.30 crore lying unused and idle in the stores as dead stock as detailed below:

- In August 2007, the BSNL Corporate Office proposed to procure 17,265 km of 96F OF cable at the estimated cost of ₹189.915 crore for the years 2007-08 and 2008-09. However, the BSNL management converted the proposal for procurement of 17,265 km of 96F cable into 12,000 km of 96F cable and 3,000 km of 288F cable on ad-hoc basis without undertaking any cost-benefit analysis and/or fixing any norms for

[23] F - fibre

[24] GSM – Global System for Mobile Communications

[25] North East Task Force-NETF, Eastern Telecom Project-ETP, Southern Telecom Project-STP, Northern Telecom Project-NTP and Western Telecom Project-WTP

utilization of 288F cable, and procured 3,150 km of 288F cable worth ₹79 crore. Though BSNL was procuring these cables for the first time, there was nothing on record to indicate that the proposal to procure 288F cable was either discussed in the meetings of the Management Committee or the Board of Directors of the Company. The quantum of the requirement of 288F cable was also not determined based on any specific demand of the Circle Offices.

- None of the five Project Circles to whom the cables were issued had placed an indent for 288F. The Eastern Telecom Project Circle in fact sought for reduction of allotment from 500 Km to 250 Km. The NETF Circle too did not project any requirement and sought for diversion and the STP Circle also did not project any requirement for 288F OF cable. The WTP Circle citing non-requirement approached the BSNL Headquarters in February 2009 and again in November/December 2009 for diversion of the allotment.

- In April 2010 BSNL Corporate Office observed that none of the Territorial Circles had projected routes for 288F OF cable. Instructions were issued immediately (April 2010) to all Chief General Managers of Project Circles/Territorial Circles to lay 288F OF cable in highly demanding cities/segments.

- Despite the above instructions and after more than three years of its receipt, only 47.84 *per cent* 288 OF cable procured was laid and 52.16 *per cent* of the cable costing ₹41.30 crore (as on October 2012) remained unutilized in the Project/NETF Circles as detailed in Table-1 below:

Table-1
Statement showing OFC remaining unutilized

Name of the Circle	Receipts of OFC (in Km)	Utilization of OFC (in Km)	Balance stock of OFC (in Km)	Value of balance OFC (₹ in crore)	Utilization (in percentage)
ETP	525	177	348	8.53	33.71
NETF	63	27	36	0.87	42.86
STP	888	289	599	15.36	32.54
WTP	783	508	275	6.67	64.88
NTP	891	506	385	9.87	56.79
Total	**3150**	**1507**	**1643**	**41.30**	**47.84**

On being pointed out by Audit, ETP and NETF Circles replied (March 2011 and January 2011 respectively) that they had approached Corporate Office for diversion of unutilized stock to other circles. The STP stated in June 2010 that due to the failure of tenders twice for procurement of poly-ethylene pipes (through which OF cable would be laid) 288F

OFC cable could not be utilized. They further stated that purchase orders were placed for the pipes in May 2010 and the cable would be laid immediately after supply. Further scrutiny in Audit (July 2011) revealed that even though the PLB pipes were received in June/July 2010, only 95 Km out of 888 Km of 288F cable could be utilized thereafter. The WTP replied in September 2010 that the then stock of 288F cable would be utilized in OAN works. The reply was irrelevant as 314 Km of cable was lying in WTP (April 2012) with no significant progress in utilization. The request of ETP for reduction in quantity from 500 Km to 250 Km made in September 2008 was not considered by the Corporate Office and as a result of which 348 Km of cable was found lying unutilized (October 2012) with ETP.

BSNL Corporate Office replied (October 2012) that it had got a firm demand for 48F/96F/144F OF cable from various field units for the years 2006-09. Based on these requirements, the procurement of 17,265 Km of 96F was initiated. The 96F cable was planned to be used in the optical access network which was being deployed across the BSNL network. BSNL Corporate Office had further taken a strategic decision to procure 3,000 Km of 288F OF cable based on the following:

a) Per fibre cost for 288F OF cable comes out to be much less than per fibre cost for 96F cable (₹2,536 for 288F and ₹4,620 for 96F).

b) Laying of cable particularly in the densely populated cities of India is very difficult and costly and same efforts were required to lay both 96F & 288F cable but long term strategic advantage incurs when fibres are available for future use.

c) BSNL was in the process of planning Next Generation Play Network which required fibre across up to the customer premises and OF cable net work is basically a long term investment and the fibres may be utilized in future.

The Ministry has endorsed the same reply as sent by BSNL Management (October 2012).

Ministry's response is not acceptable as the issue of procurement of 288F cable was neither considered by the Management Committee nor by the Board of Directors of the BSNL. There was no policy decision taken by the Company to procure the 288F cable, even though they were being procured for the first time and no norms were fixed. There was nothing on record to show that any cost benefit analysis was done before placement of the orders. Even the level of utilization of fibres of the existing 96F was neither analysed nor considered at the time of consideration of the proposal to procure 288F cable. Moreover the Company has been incurring huge losses[26] since 2009-10 and even prior to 2009-10; its profitability was getting rapidly eroded. It was therefore incumbent upon the Company Management to follow financial prudence. Investment of financial

[26] 2009-10—₹1,823 crore; 2010-11—₹6,384 crore; 2011-12 – ₹8,851 crore

resources on procurement of cable, which were not required immediately or for short-medium term, by a loss making Company, did not reflect any prudent financial decision.

Thus the ad-hoc decision to purchase 288F high count OF cable resulted in more than 50 *per cent* of the cable lying idle in stores. BSNL could utilise only 47.84 *per cent* of the cable even after completion of more than three years from the date of procurement, which has resulted in idling of stores besides blocking of funds of ₹41.30 crore.

5.3 Blocking of funds of ₹ 21.71 crore on injudicious procurement

Injudicious procurement of SMPS Power Plants and Air conditioning units by Circles/Electrical Wing of BSNL resulted in their non utilisation for more than one to four years. This led to idling of 1,612 SMPS power plants and 617 AC units and consequent blocking of funds of ₹21.71 crore.

The procurement of high value critical equipment is done centrally by BSNL Corporate Office (CO) while the items not covered in the materials to be procured by the CO are decentralized for procurement by Telecom Circles. The Corporate Office of BSNL issued (June 2001) guidelines for procurement of decentralized items by Circles, which stipulate that:

- Telecom Circles should take into account their consumption pattern while assessing their requirements. Utmost care should be taken to ensure that piling up of the inventory is avoided.
- Telecom Circles shall procure these items to meet their annual requirements keeping available inventory in view.
- Telecom Circles will ensure proper and expeditious utilization of the material procured by them.

Instances of excess procurement of Switch Mode Power Supply (SMPS)[27] Power Plants (PPs) and Air conditioning units by Circles/Electrical wing of BSNL were noticed during compliance audits and the details are brought out in the succeeding paragraphs.

[27] The Telephone exchange works on Direct Current (DC).The Alternate Current (AC) supplied by Electricity Corporations will be converted into DC by the Power Plants and is used for energizing the telecom equipment.

(i) Injudicious procurement of SMPS Power Plants

Procurement of SMPS Power Plants was decentralized (May 2003) by the CO authorizing the Territorial Circles to procure the same. BSNL Telecom Circles procured various categories (Configurations) of SMPS PPs considering the projections/ requirements for maintenance and developmental works of both mobile and fixed line wings.

Audit analysis of procurement and utilization of SMPS PPs during the period 2008-09 to 2011-12 in five out of 22 Telecom Circles[28] of BSNL disclosed that the procurement was made in excess of the requirements in respect of various categories (configurations) of Power Plants. Out of 4,879 numbers of various types of SMPS Power Plants procured during the said period for GSM based mobile projects and maintenance works at SSAs level, 1,612 SMPS Power Plants were lying idle as of March 2012. The period of idling ranged between more than one to four years resulting in blocking of capital of ₹20.17 crore as detailed in **Annexure-XVIII**. Further, the warranty period of one year (from the date of supply to the consignee) offered by the suppliers on these Power Plants had also expired.

On this being pointed out by Audit (September 2012), the Ministry replied (February 2013) that:

- In Uttar Pradesh (East) Circle Power Plants were procured for huge CMTS (Cellular Mobile Telephone Service) Phase V Project. However, due to change in BSNL (Corporate office) directions on delay in roll-out of GSM projects and diversion of equipment the actual requirement was less than the projected demand.

- In Andhra Pradesh Circle Power Plants were mainly required for the GSM and WiMax projects where utilisation takes place only after acquiring the site for BTS/Tower. Delay in utilisation was due to delayed acquisition of sites.

- In Gujarat Circle Power Plants were procured as part of turnkey GSM projects. Hence consumption pattern could not be predicted as purchase orders were given in advance to vendor on turnkey basis for the whole project. Since the vendor delayed the project implementation beyond scheduled delivery date, it resulted in balance stock of Power Plants.

[28] Andhra Pradesh, Gujarat, Jammu & Kashmir, Maharashtra and Uttar Pradesh (East)

- In Jammu and Kashmir Circle Power Plants were initially planned and procured against Mobile Project-V phase roll out but during implementation of the project the infrastructure in the identified sites did not fully materialize.

- In Maharashtra Circle the Power Plants would be diverted to other needy Circles and there was no proposal for procurement of Power Plants during 2012-13.

The reply furnished by the Ministry only strengthens the Audit observation which indicates that there was lack of effective project planning, procurement and synchronization of its execution at the Circle and SSA level. Further, as procurement of SMPS Power Plants was decentralized, the Circles were required to make the purchases as and when the need arose based on existing stocks and consumption trends. Failure to do so resulted in 1612 SMPS Power Plants lying idle (March 2012) for more than one to four years and consequent blocking of capital of ₹20.17 crore.

(ii) Injudicious procurement of Air Conditioner Units

Planning, procurement and installation of electrical equipment requirements of BSNL is done by the Electrical Wing of BSNL in coordination with the Territorial Circles.

Scrutiny of records (December 2011) of three Electrical Divisions under Chief Engineer (Electrical) Bhopal Zone revealed that the unit had placed purchase orders on various private firms on DGS&D rate contract for supply of 2,180 units of Air Conditioners (AC) during 2008-09 to 2010-11 for utilization in Global System for Mobile communication (GSM) Phase-V.1. Out of this only 1,563 units were utilized up to March 2012 and balance 617 units worth ₹1.54 crore were lying in stock as of March 2012. The period of idling ranged between more than one to three years and the warranty period of one year on these units had also expired.

The Ministry replied (February 2013) that AC units were procured against phase V GSM project and 617 units could not be utilised due to non-readiness of sites. Ministry further stated that out of 617 units, 93 units were utilised and balance 524 units would be utilised against GSM phase V.1 project and for replacing life expired split AC units by 31 March 2013 in Madhya Pradesh Circle. It further stated that no AC units would be procured till available stock lasts.

Thus non-adherence of the guidelines prescribed by the BSNL Corporate Office while procuring the AC units by BSNL Electrical Division, Bhopal Zone, resulted in idling of 617 AC units for one to three years and blocking of capital of ₹1.54 crore.

5.4 Over payment of ₹2.09 crore and excess award of works worth ₹ 8.12 crore

Failure of internal control in Mizoram SSA of BSNL led to excess award of works worth ₹8.12 crore and over payment of ₹2.09 crore to a private contractor in execution of cable works.

Instructions issued by Bharat Sanchar Nigam Limited (BSNL) on execution of works by Secondary Switching Areas (SSAs), (June 2002) stipulate that preparation of estimates as well as execution of Works should be based on the actual quantum of projections; and in no circumstances, the quantum of work awarded shall be beyond 25 *per cent* of the estimated works as indicated in the Notice Inviting Tender (NIT)/ bid documents. Further, there should be a system to monitor the quantum of work already awarded to the contractor(s) at the time of issue of work orders. Thereafter at the time of approval of the contractor's bills/release of payment, a close monitoring is required on the amount already paid to the contractor(s) against the same tender.

General Manager (Telecom), Mizoram SSA invited a tender (No. TD-41) on 1 November 2006 for trenching and laying of different sizes of underground cable[29] for Aizawl city limits and other than Aizawl city area in Mizoram at an estimated cost of ₹60 lakh. Two bids were received in response and after negotiation, the work was awarded to lowest bidder, i.e. M/s Pathak Pvt. Limited at 176 *per cent* and 149 *per cent* excess over estimated cost for Aizawl city and other than Aizawl city areas, respectively. Another NIT (No. TD-31) was also issued by GM Aizawl in a local newspaper on the same day for laying 5/10 pair underground cable for pole-less[30] network and associated allied works in Aizawl city at an estimated cost of ₹64.66 lakh with exactly the same schedule of work and rates as the earlier one. Only one bid was received from the same agency and the work was awarded to them at 59 *per cent* excess over estimated cost, after negotiation.

Audit scrutiny of records during March 2012 revealed the following irregularities in tendering, awarding and execution of works under these two tenders:

---

29 The underground copper cables are extensively used in outdoor network of an exchange system. The cables are laid from Telephone Exchange up to Distribution points (DPs) for the purpose of flexibility; pillars are introduced in the network. The primary cables, which are of higher size, are laid from Telephone Exchange to pillars. The Distribution cables are laid from pillar to DP. The UG cable works involve digging, pulling and laying of various sizes of cable, jointing, construction of cabinet/pillars etc.

30 The external plant network comprises of underground cables, cabinet/pillars, distribution points, drop wire laid on telephone poles, line jack unit, telephone instruments etc. The pole less external plant means that the outdoor network is free from the pole alignments and its allied components. BSNL issued instructions in September 2002 that the external plant should be made pole less as far as possible to reduce the fault rate.

i. Since the estimated cost of works to be executed under TD-31 and TD-41 were more than ₹5 lakh, NITs were required to be published in National dailies in addition to Indian Trade Journals as per General Financial Rules (GFR) whereas in both these cases NITs were published in local newspaper only, defeating the very purpose of publication for availing competitive rates.

ii. Detailed estimates for both kind of works were sanctioned between April 2007 to May 2010 after issue of work orders (March 2007 to August 2008) i.e., to suit the work orders issued.

iii. The Tender Evaluation Committee did not prepare any market rate justification while recommending acceptance of the quoted rates and also failed to justify the reasonableness of the rates of both the tenders.

iv. Though tender contained details of the quantity, both the agreements had been signed with the same contractor i.e. M/s Pathak Pvt. Ltd. by the same authority viz., Divisional Engineer (Planning & Admn.) without specifying the total value and duration of contract.

v. For the first contract, Divisional Engineers (External/Operations-I and Operations-II) of Mizoram SSA continued to issue work orders to the contractor up to August 2010 and a payment of ₹ 8.72 crore beyond the contract value was made out of total payments of ₹10.30 crore. Against the other tender (TD-31) finalized at much lower rate than the TD-41, no further work order had been issued after incurring an expenditure of ₹42.75 lakh against contract value of ₹102.81 lakh (₹64.66 lakh X 159 *per cent*). Further the bill passing authority and Internal Financial Advisor (IFA) also failed to exercise the required checks to control the excess expenditure beyond the tendered quantities.

vi. On being pointed out by Audit (March 2012) the SSA authority set up a committee in March 2012 to look into the irregularities. Based on the recommendations of the committee, a show-cause notice was issued to the contractor in June 2012 for refund of excess paid amount of ₹2.09 crore, recovery of which is still awaited (February 2013). The Committee further suggested that instructions were to be issued to the field units to take various measures to avoid recurrence of such incidences in future. The committee also noted that work orders were issued by field units without adhering to contract value and there was no centralized monitoring mechanism in the Unit.

vii. Thus, all guidelines or rules framed (for preparation of estimates, issue of tenders, reasonability of rates finalized in the tender, watching the tendered quantities against the quantity of work executed, monitoring of payments) were flouted and GM(T) Mizoram failed in all respects to safe guard the interests of the Company. This resulted in undue favour by awarding excess quantity of work to the private contractor to the tune of ₹8.12 crore under both the tenders.

viii. Lack of internal controls and monitoring mechanism by GM heading the SSA resulted in release of payment to the extent of ₹10.30 crore against these non-project works under TD-41 which was even beyond the sanctioning power of the head of the Circle.

CGMT BSNL, North East-I Circle, Meghalaya, Shillong in its reply (October 2012) admitted the overpayment of ₹2.09 crore to the private contractor and stated that a notice has been issued for refund of the overpaid amount. He further stated that instructions have also been issued to withhold all deposits and payments due to the contractor. He further stated that:

a) The NIT for TD-31 and TD-41 were published in local newspapers and put on the North East Circle website and therefore publication for availing competitive rates for the work was not defeated.

b) The purpose of the two tender were not similar as Pole-less network includes the work relating to the conversion of existing DP to wall DP whereas Under Ground (UG) cable tender under TD-41 was for laying UG cable for the expansion of the Network. Although the schedule of rate used for both the works were almost similar in nature, they were not identical.

c) The validity of TD-31 agreement was up to March 2008 and that of TD-41 was up to February 2008 and all work orders were issued during the period of agreement currency.

d) Mizoram SSA is one of the most difficult areas in terms of delivering telecom services due to its geographical locations and steep hilly terrains and the SSA did not have past experience in executing such tenders prior to the tender under question.

The reply given by the CGMT is not acceptable on the following grounds:

1. As per General Financial Rules, for purchase value of ₹5 lakh and above, open tenders are required to be advertised in National Dailies in addition to Indian Trade Journal and inadequate publicity resulted in poor response to NITs.

2. Approving higher rates for TD-41 over TD-31 was not found justified and hence not in order.

3. The schedule of rates appended to both tenders was identical and BSNL is bound by the terms and conditions of the tender.

4. Even after bifurcation of expenditure between the two tenders as worked out by the Management, the excess expenditure over tendered quantity under TD-31 comes to ₹4.31 crore and under TD-41 comes to ₹3.81 crore and the overall excess expenditure on both the tenders comes to ₹8.12 crore as detailed in the Table-1 given below.

Table-1
Statement showing excess expenditure

(₹ in lakh)

Sl. No	Details	TD-41	TD-31	Combined (TD-41 + TD-31)
1	Estimated cost	60.00	64.66	124.66
2	Accepted cost	157.50	102.81	260.31
3	Actual expenditure incurred	1029.86	42.75	1072.61
4	Excess Actual expenditure over accepted cost	872.36	(-)60.06	812.30
5	Excess over accepted cost (in *per cent*)	553.88	-	312.05
6	Expenditure after bifurcation	539.06	533.55	1072.61
7	**Excess expenditure over accepted cost after bifurcation**	**381.56**	**430.74**	**812.30**
8	Amount to be recovered after bifurcation	73.16	135.72	208.88

(Source: Information collected by field office/ furnished by the Management)

Further, CGMT has failed to discharge his responsibility in instituting effective control/checks to prevent such occurrences. No action has also been taken to fix responsibility on any officials as yet.

The matter was referred to the Ministry in November 2012. The Ministry in May 2013 while accepting the audit observations confirmed that there was an excess payment to contractor M/s Pathak Telecom Company by the Mizoram SSA. It was further stated that CGMT, NE-I Circle was asked to initiate action to recover the excess payment from the contractor and also initiate action against the officials/ officers involved in the lapses and irregularities for excess payment of bills.

Thus, failure of internal control in Mizoram SSA of BSNL led to excess award of works worth ₹8.12 crore and over payment of ₹2.09 crore to a private contractor.

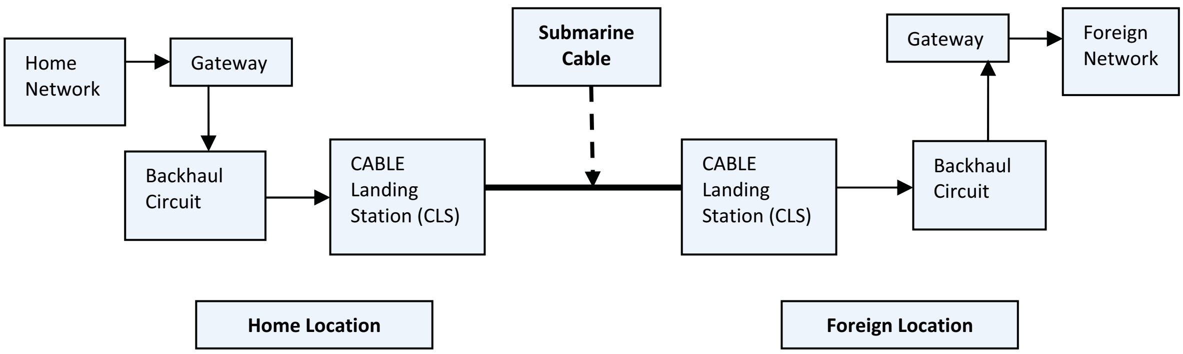
5.5 Operation of International Long Distance Service in BSNL

Failure and delay in joining International Submarine Cable Consortiums led to deficiencies in operation of International Long Distance (ILD) service by BSNL. This further resulted in under-utilization of bandwidth capacity and avoidable expenditure in acquisition of bandwidth for operation of ILD service.

5.5.1 Introduction

International Long Distance (ILD) service is basically a network carrier service providing international connectivity to a network created by foreign carriers. The service is provided by ILD service providers so that end-to-end teleservices can be provided to the customers across various countries. A diagram indicating the flow of international telecom traffic for ILD operation is given below.

Flow diagram for International Telecom Traffic



Prior to disinvestment (February 2002) of Videsh Sanchar Nigam Limited (VSNL), Bharat Sanchar Nigam Limited (BSNL) since its formation (October 2000) had been routing international calls through VSNL. BSNL acquired ILD licence in January 2003 with a direction from DoT to continue routing its ILD calls through erstwhile VSNL for a period of two years i.e. up to February 2004. After disinvestment of Government equity in VSNL, BSNL continued to avail the ILD services from erstwhile VSNL (Tata Communication Ltd.) till 2006.

5.5.2 Infrastructure acquired for ILD operation

BSNL has been providing international connectivity to its customers through six[31] gateways in different zones. For its ILD operation and to enhance global connectivity BSNL has acquired the following transmission media[32]:

i) **Bharat–Sri Lanka Submarine Cable System (BLCS)** – BSNL has fifty *per cent* ownership (August 2004) in BLCS at a Capital cost of ₹45 crore for connectivity between India and Sri Lanka from July 2006 at BSNL Cable Landing Station[33] (CLS) Tuticorin and Sri Lanka Telecom (SLT) Cable Landing Station Mount Lavinia respectively.

ii) **Europe India Gateway (EIG)** [34]- BSNL entered (July 2008) EIG Cable System (Mumbai to London) as a consortium partner for a 7.0911 *per cent* share to own bandwidth capacity of 27.34 lakh Minimum Investment Units[35] (MIUs) at a Capital cost of US$ 51.59 million.

iii) **Media hired from France Telecom (FT)** - Bandwidth capacity of 1.50 lakh MIUs taken on lease (May 2009) for 15 years at a one time cost of US$ 14,85,000 and US$ 44,500 as annual operation and maintenance charges from France Telecom (FT) on South East Asia-Middle East-Western Europe-4 (SEA-ME-WE 4)[36] submarine cable landing at Tata Communications Limited (TCL) CLS, Mumbai.

iv) **Media hired from various Indian and foreign ILD operators**- Besides the above infrastructure, BSNL also hired transmission media for connectivity across the globe from various Indian and foreign ILD operators on requirement basis from time to time.

---

31 Jalandhar, New Delhi, Kolkata, Mumbai, Chennai and Ernakulam.

32 Transmission media is a media and connected infrastructure for transmitting voice and data traffic.

33 A cable termination/landing station is the point at which the submarine cable connects into the land-based infrastructure or network, owned by the landing party and retains the right to use and share the telecom infrastructure with the other Telecom Service Providers.

34 The EIG cable system is an international optic fibre submarine cable system that links the United Kingdom, Portugal, Gibraltar, Monaco, France, Libya, Egypt, Saudi Arabia, Djibouti, Oman, United Arab Emirates and India.

35 The Minimum Investment Unit (MIU) is a unit of capacity used with submarines cables. It is a product of bandwidth in terms of STM-1 link (Synchronous Transport Module-1 is a transmission standard) and distance in Km. Example: 1 STM-1 working between one Km distance of two CLS is termed as 1 MIU Km.

36 South East Asia–Middle East–Western Europe 4 (SEA-ME-WE 4) is a submarine communications cable system that carries telecommunications between South East Asia to Europe via the Indian sub-continent and Middle East. In India cable landing station on cable system at Mumbai and Chennai are owned by Tata Communication Limited and Bharti Airtel Limited respectively.

5.5.3 Scope of Audit

Audit was conducted during January to March 2012 at BSNL Corporate office, Circle offices[37] including Gateways and Maintenance Regions for the period 2008-09 to 2011-12. Audit findings were issued to Ministry and Management in November 2012 and reply of the Ministry was received in April 2013.

5.5.4 Source of Audit Criteria

Source of audit criteria were the agenda and minutes of Board of Directors meetings, purchase orders for procurement of media, agreements between BSNL and other ILD operators and relevant records relating to ILD operation for the above period.

5.5.5 Audit Objectives

Audit was conducted to examine whether

- BSNL had adequately safeguarded its commercial interest for efficient ILD operation.
- the procurement and utilization of transmission media required for operation of ILD service was done effectively and efficiently.

5.5.6 Audit Findings

The audit findings on ILD operation by BSNL are discussed in the succeeding paragraphs.

5.5.6.1 Failure to join in time International Submarine Cable System Consortium with landing rights[38] leading to dependence on other ILD operators besides low utilisation and loss of bandwidth.

For accessibility on International Submarine Cable Systems ownership of bandwidth with landing rights is an essential infrastructure requirement for any ILD service provider. An operator having landing rights can own, manage and use a cable landing station as also share the same with other telecom operators.

[37] Maharashtra, Kerala, Punjab, West Bengal, Tamilnadu circles, Calcutta Telecom Districts and Information Technology Project Circle (ITPC), Pune. Northern, Western, Eastern and Southern Telecom Region.

[38] A consortium partner with landing rights has right to access the submarine cable at its own cable landing station and share the same with the other Telecom Service Providers.

(i) Failure to join International Cable Consortium with cable landing station.

As BSNL had a pan-India presence and was also an ILD operator it was necessary that BSNL should create and maintain adequate ILD infrastructure for efficient and smooth ILD operation. As mentioned earlier in Para 5.5.1, BSNL routed its ILD calls through VSNL and its successor (TCL) till 2006.

We observed (March 2012) that an International Consortium of 16 ILD service providers including Tata Communication Limited and Bharti Airtel Limited (BAL) agreed to construct SEA-ME-WE 4 cable system on 27 March 2004 and completed the same in December 2005. We further observed (March 2012) that Bharti Airtel Limited, Tata Communication Limited and Reliance Communications Limited (RCL) which had acquired ILD licenses in 2002 had became members or owners of important submarine cable systems[39] since 2002 onwards. However BSNL did not become a partner in any International Submarine Cable Consortium with landing rights.

(ii) Low utilisation of bandwidth capacity of Bharat Lanka Cable system.

As mentioned earlier in Para 5.5.2, BSNL entered (2004) into a partnership with Sri Lanka Telecom (SLT) for laying a sub-marine Optical Fibre Cable System namely Bharat Lanka Cable system (BLCS) from India to Sri Lanka. BSNL and SLT became equal (50 *per cent*) partners of the submarine cable system. The objective of the project was to provide international telecom services between India and Sri Lanka and also other foreign destinations. The BLCS project was completed in July 2006 and with the completion of this project BSNL was able to access international bandwidth of foreign carriers at Mount Lavinia CLS of SLT for its ILD operation.

However BLCS provided only limited bandwidth capacity to BSNL up to Sri Lanka. For connectivity to rest of the world it was dependent on SLT. BSNL continued its ILD operation on BLCS from December 2006 as SLT provided infrastructure facility for

[39] South East Asia–Middle East–Western Europe 4 (SEA-ME-WE 4)-a submarine communications cable system that carries telecommunications between South East Asia to Europe via the Indian sub-continent and Middle East. In India cable landing station on cable system at Mumbai and Chennai are owned by TCL and BAL respectively.

i2i cable system, connects India to Singapore, owned by BAL of India and Singtel of Singapore. In India its landing point is at Chennai.

I-ME-WE (India-Middle East-Western Europe) is a submarine communications cable system connecting India and Europe via Middle East. In India cable system lands at Mumbai at two cable landing stations owned by TCL and BAL.

Flag Alcatel-Lucent Optical Network (FALCON) is a segment of Europe Asia cable system (Fibre Optic Link Around the Globe-FLAG) connecting UK, Middle East and Mumbai. FALCON-I connects India to Gulf and FALCON-II going to East of India. In India Cable Landing Stations at Mumbai and Trivandrum owned by Reliance Communications Limited.

global connectivity till BSNL shifted to SEA-ME-WE 4 cable bandwidth hired from France Telecom in May 2009 due to higher cost of operation on BLCS.

It was further observed (March 2012) that the utilization of BLCS since its commissioning ranged between a meagre 1.81 *per cent* (2006-07) to 17.51 *per cent* (2010-11) from 2006-07 to 2011-12, which showed sub optimal utilisation of BLCS. Details of capacity utilisation compared to the total equipped capacity of BLCS by BSNL for the year 2006-07 to 2011-12 is given in **Annexure-XIX**.

Regarding investment in BLCS, Ministry replied (April 2013) that to use VSNL's infrastructure, BSNL had to pay about ₹0.90/min as infrastructure charges to VSNL. On commissioning of BLCS in 2006, the voice interconnects of foreign carriers which were operational through VSNL infrastructures were shifted to BLCS. Till 2010, approximately 1500 million outgoing minutes passed through these voices interconnects on BLCS. Thus there was a saving of about ₹0.90/min for approximately 1500 million outgoing minutes (about ₹130 crore). Ministry further stated (April 2013) that as design life of submarine cable is about 25 years, BLCS can be used during remaining life time also for generation of revenue.

The reply of the Ministry is not convincing as charges payable to VSNL (₹0.90 per minute) could have also been saved if BSNL had been able to participate in the International Cable Consortium such as SEA-ME-WE 4 with landing rights. Further, we observed (March 2012) that in 2009, due to higher cost charged by SLT for interconnection/termination, BSNL shifted the voice–interconnects to India at Mumbai Cable Landing Station of TATA Communication Limited on media hired from France Telecom on SEA-ME-WE 4 cable.

Thus, failure to acquire bandwidth on a submarine cable of an International Consortium with cable landing rights resulted in BSNL having to depend on other Indian and foreign ILD operators for its ILD operation besides low utilisation of its existing infrastructure.

(iii) Loss of landing rights and bandwidth capacity on EIG cable system.

An International Consortium of 17 telecom companies including Bharti Airtel Limited from India was formed in October 2007 for the purpose of laying an undersea high bandwidth optical fibre submarine communication system from United Kingdom (UK) to India called Europe India Gateway Cable (EIG). BSNL was not part of this consortium of 17 companies. In this connection, a Construction and Maintenance Agreement (C&MA) was signed by the consortium members on 6 May 2008.

The Management Committee of BSNL decided (March 2008) to explore the possibility of entering into an international undersea cable system for its ILD services. Subsequently the ILD committee of BSNL decided (May 2008) to enter in the EIG Consortium as a landing partner. However we observed (March 2012) that EIG Consortium informed (May 2008) BSNL to enter the consortium as an additional party with non-landing rights since BAL was already a landing party from India on first come first serve basis.

Even though the Board of Directors of BSNL (July 2008) had also observed that BSNL should have its own undersea cable with all rights including landing rights to counter the competition from other ILD operators, the Board of Directors finally approved (July 2008) the proposal of entering into the EIG Consortium as non landing additional party under EIG C&MA.

As per the EIG C&MA, different Price Ratios by level of investment from US$ 15 to 50 million were prescribed for allocation of equipped capacity of EIG cable system. However Price Ratio to an additional party was to be as appropriate to its investment plus 0.05. For initial investment of US$ 50 million and above by a consortium partner Price Ratio was 1.0. As BSNL decided to invest US$ 50 million (initial investment) as an additional party, Price Ratio for BSNL was 1.05.

BSNL entered (March 2009) in an agreement as an additional party in the EIG Consortium with a Price Ratio of 1.05 and made an investment of US$ 51.59 million[40] (7.0911 *per cent* share) for allocated capacity of 27.34 lakh MIUs. We observed (March 2012) that BSNL got 1,36,710 less MIUs due to Price Ratio of 1.05 vis-a-vis Price Ratio of 1.0 for an original party.

Had BSNL entered the consortium as an original party it could have saved loss of landing rights as also 1,36,710 MIUs bandwidth capacity.

Ministry replied (April 2013) that as BSNL did not have its presence outside India it came to know about consortium cables only through discussion with foreign carriers since the cable consortiums are generally initiated by dominant foreign carriers. As and when BSNL became aware of the ongoing cable consortiums it tried to explore and avail the opportunity.

The reply of Ministry that the consortium formations at international level were not known to BSNL, cannot be accepted in view of the fact that due diligence should have been conducted by BSNL before joining an International Cable Consortium as a landing partner.

---

[40] Initial investment US$ 50 million and additional investment of US$ 1.59 million due to increase in the EIG Project cost.

Thus failure of BSNL to explore in time the possibility of entering into the EIG Consortium with landing rights led to loss of the same and bandwidth on EIG cable besides dependence on BAL for accessing bandwidth on EIG cable. Further it also led to avoidable payment for hiring of bandwidth as given in subsequent para.

5.5.6.2 Payment of Operation and Maintenance Cost of ₹14.49 crore for non-utilized international bandwidth on EIG cable and avoidable expenditure of ₹3.96 crore on hiring of international bandwidth.

As BSNL could not enter in the EIG Consortium as an original party, it became an additional member of the consortium without landing rights. Bharti Airtel Limited was the Indian ILD operator with cable landing rights on the EIG cable landing at Mumbai. Thus, to access EIG cable, BSNL had to connect its network with CLS of BAL.

(i) Non-utilization of EIG bandwidth capacity.

As per Telecom Regulatory Authority of India's (TRAI) Regulation of 2007, Reference Interconnect Offer[41] (RIO) agreement charges for CLS in India are approved by TRAI. Audit observed (March/September 2012) that pending TRAI's approval, BAL offered special rates of CLS-RIO charges to BSNL, which were considered exorbitant by BSNL and it was decided (September 2012) by BSNL to wait for the approval of CLS-RIO charges by TRAI. Subsequently reduced CLS-RIO charges were approved (December 2012) by TRAI.

Audit observed (March 2012) that despite the availability of bandwidth capacity on partial commissioning (February 2011) and end-to-end connectivity (January 2012) of the EIG cable from London to Mumbai, BSNL could not utilise the same due to non-connectivity of BSNL network with CLS of BAL.

Ministry replied (April 2013) that EIG cable system was accepted for partial commissioning in February 2011. It was not possible to use EIG cable system for end-to-end connectivity whereas main requirement of BSNL was up to USA which could not be met without end-to-end connectivity. BSNL had also taken up with BAL that BSNL would utilize its own EIG capacity at the rate proposed by BAL. However if TRAI approved lower CLS RIO charge, the difference in CLS RIO charges paid by BSNL and rates approved by TRAI shall be reimbursed by BAL for which BAL had not agreed to. Ministry further stated (April 2013) that the special CLS RIO charges offered by BAL were exorbitant had been proved from TRAI notification issued on 21 December 2012

[41] Cable Landing Station-Reference Interconnect Offer (CLS RIO) is an offer made by the owner of cable landing station containing the terms and conditions of Access Facilitation and Co-location of equipment (including landing facilities for submarine cables at cable landing stations for connectable system of international submarine cable) published after the approval of TRAI.

regarding CLS-RIO charges effective from 1 January 2013 wherein CLS-RIO charges were heavily reduced.

Reply of the Ministry is not acceptable as EIG cable bandwidth could not be utilized even after end-to-end connectivity in January 2012 even though expenditure was incurred for hiring bandwidth capacity for United Kingdom from Indian ILD operators including BAL as discussed in subsequent para.

(ii) Expenditure on hiring of bandwidth for United Kingdom and payment of Operation and Maintenance cost of EIG cable system.

Even though end-to-end connectivity of the EIG cable (from London to Mumbai) was established in January 2012. BSNL had to incur an avoidable expenditure of ₹3.96 crore (January to September 2012) on hiring of bandwidth for United Kingdom from Indian ILD operators including BAL as detailed in **Annexure-XX**.

Payment of Operation and Maintenance cost of EIG cable system

Members of this consortium of the EIG cable system were required to share Operation and Maintenance costs (O&M costs) of EIG cable system as per their respective share of O&M costs given in C&MA.

We observed(September 2012) that BSNL had paid Operation and Maintenance charges to EIG Central Billing Bureau[42] amounting to US$ 2.820 million i.e. ₹14.49 crore (up to September 2012) for EIG cable system without utilizing bandwidth of the cable. Thus, expenditure of ₹14.49 crore on payment of operation and maintenance charges was incurred without utilisation of its capacity.

Ministry replied (April 2013) regarding incurring avoidable expenditure on hiring bandwidth that mere acquiring EIG bandwidth capacity up to London did not fulfil the requirement of international bandwidth for internet as this also requires Tier-I IP Port at distant end as well as Lawful Interception and Monitoring (LIM) equipment. The bandwidth was purchased from BAL through open EOI/tendering as was done for other empanelled bidders and it could have been any other empanelled bidder in place of BAL depending on price. Ministry further added (April 2013) that as per C&MA of EIG, all parties need to pay O&M charges. Further in case of failure of payment by a party, consortium can deactivate the capacity of defaulting party and reclaim the same.

The reply of the Ministry does not address Audit's concern that if BSNL decided to participate in the EIG Consortium without landing rights it should have settled the issue

[42] As per EIG C&MA it refers to a Central Billing Party for construction phase and for operation phase.

of interconnection with BAL and also set up the necessary equipment before commissioning of EIG cable for utilising the bandwidth capacity. Expenditure on hiring of bandwidth could have thus been saved by BSNL.

Thus, despite commissioning of EIG cable between India and UK, failure of BSNL to connect its network with CLS of BAL to access EIG cable resulted in non-utilization of EIG cable bandwidth and avoidable expenditure of ₹3.96 crore on hiring of ILD bandwidth from Indian ILD operators.

Conclusion

Despite a substantial market share of telecom subscribers including 55.32 *per cent* market share (March 2012) of internet subscribers, BSNL owned only 0.9 *per cent* of total activated international bandwidth capacity in India. BSNL failed to take timely decisions for joining International Undersea Cable Consortiums with landing rights and to conduct necessary due diligence for operation of ILD business. As a result BSNL had to depend on private Indian and foreign ILD operators for transmission media.

5.6 Operational Performance of Wireline and Wireless Services in Mahanagar Telephone Nigam Limited

5.6.1 Introduction

Mahanagar Telephone Nigam Limited (MTNL) is a state owned public sector undertaking, incorporated in February, 1986 under the Companies Act 1956. It commenced its operations with effect from 28 February 1986 to provide telecom services, in two metro circles viz. Delhi and Mumbai (comprising Mumbai Municipal Corporation, Navi Mumbai Municipal Corporation and Thane Municipal Corporation). The Company's share capital as on 31 March 2012 was ₹630 crore and its reserves were ₹1,907 crore. The Company was awarded Navratna status in November, 1997 resulting in enhanced financial and operational autonomy**.** The performance of the Company deteriorated from 2007-08 onwards. Thus while the entity had earned a profit of ₹587 crore in 2007-08 it incurred a loss of ₹4,110 crore in 2011-12.

5.6.2 Organizational setup

The administrative and operational control of MTNL is vested with the Board of Directors and is headed by the Chairman and Managing Director (CMD) who is assisted by three functional Directors in charge of Technical, Finance and Human Resources. Delhi and Mumbai units of the Company are headed by Executive Directors.

5.6.3 Scope of Audit

As one of the core functions of MTNL is to provide wireline and wireless services, a thematic audit was undertaken from April 2011 to July 2011 and from April 2012 to May 2012 with a view to examine the performance of Wireline and Wireless services during the period 2007-08 to 2011-12 in both the Delhi and Mumbai units as also in the Corporate Office of the Company at New Delhi. The Mobile Switching Centres[43] (MSC) for wireless services in the both units and four sub-accounting units under each unit for wireline services, were selected for the study based on the percentage of utilization of the exchanges in these units. The audit findings were issued to Ministry and Management in September 2012 and reply of Ministry was received in July 2013.

5.6.4 Audit Objectives

The main audit objectives were to assess and evaluate

(i) the financial and physical performance keeping in view the deteriorating performance of the Company in terms of falling revenue and subscriber base;

(ii) the Quality of Service(QoS) provided by the Company with reference to the benchmarks fixed by the Telecom Regulatory Authority of India(TRAI);

(iii) the performance with reference to MoU targets as Administrative Ministry evaluates the performance of the Company under various parameters;

(iv) Average Revenue Per User(ARPU)[44] of the Company and compare the same with that of private operators and All India ARPU;

(v) Planning and Procurement of infrastructure equipment for wireline/wireless services provided by the Company to evaluate its adaptability to the growth witnessed in telecom sector.

[43] The MSC is the primary service delivery node responsible for routing voice calls and SMS as well as other services. The MSC sets up and releases and takes the end to end connection, handles mobility and hand-over requirements during call and takes care of charging and real time pre-paid account monitoring.

[44] ARPU gives the revenue earned by the service provider from each of its subscribers. It is computed by dividing the Total revenue earned in each segment i.e. wireless or wireline services by the corresponding subscriber base.

5.6.5 Audit Methodology and Sources of Audit Criteria

The audit methodology adopted for the scrutiny included the evaluation of the performance of the Company vis-a-vis private service providers, benchmarks fixed by the Telecom Regulatory Authority of India for various parameters under Quality of Service (QoS) and evaluation of the Company's performance with the MoU stipulations laid down by Department of Telecommunications (DoT). Examination of records, data and Agenda notes and Minutes of meetings of Board of Directors of the Company was done. Source of data has been indicated wherever used.

Financial and Physical Performance

Performance of the Company had deteriorated from 2007-08 onwards with income from services decreasing from ₹4,722 crore (2007-08) to ₹3,373 crore (2011-12) by 29 percentage while the expenditure during the corresponding period increased from ₹4,698 crore (2007-08) to ₹7,669 crore (2011-12) thereby resulting in a substantial loss of ₹4,110 crore as on 31 March 2012. The primary reasons for the loss during this period included stiff competition in the sector, high manpower cost which ranged from 35 *per cent* to 58 *per cent* during the period and high 3G and BWA spectrum[45] cost paid by the Company. Table 1 below gives a description of the Income and Expenditure of the Company for the period 2007-08 to 2011-12.

Table-1

(₹ in crore)

Description	2007-08	2008-09	2009-10	2010-11	2011-12
Income from Services	4722	4456	3656	3674	3373
Other Income (including interest)	607	794	1402	318	251
Total Income	5329	5250	5058	3992	3624
Total Expenditure	4698	4986	8477	6767	7669
Profit/(Loss) Before Tax	631	264	(3419)	(2775)	(4045)
Profit/(loss) Available for appropriation	587	212	(2353)	(2563)	(4110)

(Source: Audited accounts of the MTNL)

Further, income from Wireline and Wireless services to the total income from services of the Company was in the range of 41 *per cent* (2007-08) to 49 *per cent* (2010-11) in the Delhi unit and in the range of 53 *per cent* (2010-11) to 62 *per cent* (2007-08) in the Mumbai unit **(Annexure-XXI)** during the period 2007-08 to 2011-12.

[45] 3G and BWA spectrum allotted to the company. MTNL has paid an amount of ₹11097 crore to acquire 3G and BWA spectrum. Short term loan amounting to ₹7534 crore were taken from various banks while the remaining amount was paid by MTNL from its own resources.

Analysis of the physical performance of the Company in audit revealed that the capacity utilization of basic services (wireline) ranged from 63.00 *per cent* (2008-09) to 64.70 *per cent* (2011-12) and in mobile (wireless) services, from 81.86 *per cent* (2010-11) to 104.58 *per cent* (2007-08) during the period from 2007-08 to 2011-12. Further while the utilization of wireline capacity in Mumbai ranged from 71.55 *per cent* (2008-09) to 73.66 *per cent* (2011-12), in Delhi it ranged from 54.31 *per cent* (2008-09) to 56.39 *per cent* (2011-12).

The utilization of wireless capacity in Mumbai ranged from 81 *per cent* (2010-11) to 133.06 *per cent* (2007-08) and in Delhi from 82.81 *per cent* (2010-11) to 108.06 *per cent* (2008-09) during the period 2007-08 to 2011-12 **(Annexure-XXII)**.

5.6.6 Audit Findings

The significant audit findings on the operational performance of wireline and wireless services during the period 2007-08 to 2011-12 are given in the succeeding paragraphs.

5.6.6.1 Wireline Subscriber base

Wireline subscriber base of all telecom operators as a whole in both the Circles i.e. Delhi and Mumbai increased by 19.89 *per cent* and 11.89 *per cent* during the period 2007-08 to 2011-12 respectively. However, it was observed that the Company had an adverse growth percentage of (0.88) and (9.84) in the Delhi and Mumbai Circles respectively during the same period while private service providers viz. Bharti, Tata and Reliance registered substantial growth percentage by 50.55, 242.09 and 72.72 *per cent* respectively in Delhi and 119.59, 77.31 and 86.28 *per cent* in Mumbai during the corresponding period as detailed in the following Table 2(a) and (b).

Table-2(a)
Wireline Subscriber base-Delhi

Service Provider	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage increase over 5 years
MTNL	1576918	1525981	1537460	1546432	1563034	-0.88
Bharti	716755	821061	955591	1059694	1079056	50.55
Tata	23313	27190	45324	56381	79752	242.09
Reliance	106156	147077	172460	176311	183355	72.72
	2423142	2521309	2710835	2838818	2905197	19.89

(Source: Telecom Regulatory Authority of India)

Table-2(b)
Wireline Subscriber base-Mumbai

Service Provider	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage increase over 5 years
MTNL	2101452	2047225	1959294	1917537	1894695	-9.84
Bharti	150692	264901	305901	330500	330903	119.59
Tata	308870	407705	489963	523503	547664	77.31
Reliance	124095	161570	190367	220316	231160	86.28
	2685109	2881401	2945525	2991856	3004422	11.89

(Source: Telecom Regulatory Authority of India)

The Ministry attributed (July 2013) the poor performance amongst other reasons to decline in demand for basic services, entry of new operators, constraint of low tariff due to limited area of its operation, non-support of fixed line network to the value added services, fast changing technology and inability of the Company to induct new developments.

The reply is however not acceptable, since the reasons attributed by the Ministry for the Company's low performance is not borne out by the exponential growth and performance by Private Service Providers (PSPs) in the two Circles during the corresponding period. As regards procedures to be followed for inducting new developments, the Company should have taken advance action to comply with the laid down procedures to retain its market share.

5.6.6.2 Wireless Subscriber base

Wireless subscriber base of all telecom operators in both the Circles i.e. Delhi and Mumbai increased by 169 *per cent* and 152 *per cent* respectively i.e. from 1.05 crore (2007-08) to 2.82 crore (2011-12) in Delhi and from 89.37 lakh (2007-08) to 2.26 crore (2011-12) in Mumbai. However it was observed that the growth in the subscriber base in MTNL, was only 87 *per cent* compared to that of 125–168 *per cent* achieved by their major competitors[46] in Delhi Circle while in Mumbai, the growth in subscriber base of the Company was 61 *per cent* compared to 54 to 152 *per cent* achieved by the competitors[47]**(Annexure-XXIII)**. Further, the market share of the Company in Delhi and Mumbai decreased by 4.31 *per cent* and 7.17 *per cent* respectively.

[46] Bharti, Vodafone and Idea
[47] Bharti, Vodafone and Loop

The Ministry attributed (July 2013) limited area of its operation and consequent difficulty in offering competitive tariff, compliance with the Government guidelines on the procurement/expansion/upgradation of new/existing equipment as the reasons for its inability to match the growth of private players.

The reply is not acceptable as limited area of operation should have enabled it to concentrate its services in terms of better quality of service to retain/attract subscribers considering the growth in both the circles recorded by the private competitors. Further attributing following Government Guidelines as a constraint on procurement/expansion is not acceptable.

(i) Mobile Number Portability

Government of India decided (November, 2007) to introduce Mobile Number Portability (MNP), which allowed a subscriber to retain their mobile number while changing from one service provider to another in four metros by the fourth quarter of 2008.

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 by Government (January 2011) resulted in net loss of 88648 subscribers at the end of 31 March 2012. It was further noticed that the issue of MNP was first considered by MTNL Board only in May 2011 i.e. after three and half years of decision of the Government.This belated action of the Company resulted in considerable loss of subscriber base under the MNP as given in Table 3.

Table -3

Name of Unit	Port IN		Port Out		(+) Net Gain / (-) Loss	
	January to March 11	2011-12	January to March 11	2011-12	January to March 11	2011-12
	1		2		3(1-2)	
Delhi	5593	14347	17022	41280	(-) 11429	(-)26933
Mumbai	2125	5376	17676	40111	(-) 15551	(-)34735
Total	**7718**	**19723**	**34698**	**81391**	**(-) 26980**	**(-)61668**

The Ministry while confirming dissatisfaction with services by the subscribers as the reason for porting out, attributed other reasons also like want of subscriber authentication and non-payment of bills for the shifting of customers. The reply of the Ministry is not convincing as reasons like want of subscriber authentication and non-payment of bills cited by the Ministry would result in surrender/cancellation of connections but not shifting to other service provider (porting out).

5.6.6.3 Quality of Service

Telecom Regulatory Authority of India has prescribed benchmarks for 11 to 13 Quality of Service (QoS) parameters for wireline service and 10 to 19 QoS parameters for wireless services under Quality of Service (QoS) through regulations issued in 2000, 2005 and 2009 for Basic and Cellular telephone services.

Based on analysis of TRAI quarterly reports it was observed that the performance of the Company in Wireline service was much below the benchmarks prescribed in six parameters[48] in Delhi and five parameters in Mumbai out of nine parameters[49]during the years 2007-08 to 2011-12 as detailed in **Annexure XXIV**. Further, it was observed that MTNL had to refund an amount of ₹8.78 crore (Mumbai: ₹3.66 crore; Delhi: ₹5.12 crore) as rent rebate during the years 2007-08 to 2011-12 for faults pending for more than three days.

The Company also failed to match the performance of their competitors (private operators) with regard to four to six parameters[50] in Delhi and Mumbai Circle **(Annexure XXV and XXVI)** in wireline services though they were in business in this sector for several decades.

In wireless services also, the Company failed to match the performance of private operators in two to six parameters[51] and two to eight parameters[52] in Delhi and Mumbai circles respectively (**Annexure XXVII and XXVIII)**.

---

[48] Fault Incidence per 100 subscribers per month, percent of faults repaired by the next working day, percent of faults repaired within 3 days, Rent Rebate (total no. of cases), Mean time to Repair (MTTR), Call completion Rate.

[49] Fault Incidence per 100 subscribers per month, percent of faults repaired by the next working day, percent of faults repaired within 3 days, Rent Rebate (total no. of cases), Mean time to Repair (MTTR), Call completion Rate, Answer to seizure ratio, Metering and billing credibility, Resolution of billing/ charging/ validity complaints.

[50] Fault Incidence per 100 subscribers per month, percent of faults repaired by the next working day, percent of faults repaired within 3 days, Rent Rebate (total no. of cases), Mean time to Repair (MTTR), Call completion Rate, Answer to seizure ratio, Additional facility(95% of requests).

[51] BTS accumulated down time, worst affected BTS, call set up success rate, call drop rate, worst affected calls having more than 3% TCH drop, percentage of connections with good voice quality.

[52] BTS accumulated down time, worst affected BTS, call set up success rate, call drop rate, worst affected calls having more than 3% TCH drop, percentage of connections with good voice quality, accessibility to call centre, time taken for refund of deposit after closure, Metering and billing credibility-Post Paid/ Pre-paid

The Ministry while admitting the shortfall in achievement of the target, attributed (July 2013) the poor performance in wireline services amongst other factors to long span of drop wires, repeated digging work being done by MCD, DMRC, Delhi Jal Board and other external agencies without coordination with MTNL, 20 years old network compared to private operators whose networks were recently deployed, cable theft, Government guidelines under which the Company has to operate. For wireless services while stating that efforts were being made to improve the performance, it was stated that it would not be fair to compare MTNL's performance with that of private players because the operating conditions were different as MTNL had to follow Government guidelines while the latter could upgrade/expand/modify their networks through negotiations across the table with a vendor of their choice.

The reasons cited by the Ministry for poor performance are not convincing as these factors are controllable and could be addressed through effective preventive and coordinated maintenance work, by taking advance action in line with Government guidelines, considering the increase in tele-density and anticipated expansion of capacity to ensure that the prescribed quality of service is maintained. MTNL needs to expedite the ongoing projects related to expansion and up gradation of wireless and wireline services.

5.6.6.4 Performance of Company as per DoT's parameters

The Administrative Ministry (DoT) evaluates the performance of the Company every year on half yearly basis against seven, eleven and nine criteria prescribed under three broad parameters viz. Financial, Dynamic and Physical respectively. In the process of review, the Task Force of the Ministry reviews the market conditions as well as the specific problems of the Company and suggests various measures to improve customer satisfaction through convergence of technology, rolling out its services at the earliest in 3G and WiMAX by utilizing the early bird advantage of earmarked spectrum.

- We observed that the Company failed to achieve the targets prescribed by DoT for the five criteria(s) under Financial parameters viz. Gross Margin/Gross Block; Net profit/Net Worth; Gross Profit/Capital Employed; Gross Margin and Gross Sales and was ranked poor since 2008-09 as detailed in **Annexure-XXIX**.

  The Net Worth[53] of the Company fell from ₹11,921 crore in 2007-08 to ₹2,536 crore in 2011-12 indicating that if the present poor performance continues the net worth of the Company could be eroded. Despite poor performance by the Company, the Ministry continued to set high/unrealistic targets which could not be achieved by the Company.

[53] Paid up capital plus Reserves and Surplus minus accumulated losses.

- Under Dynamic parameters of performance relating to QoS the Company's performance was mostly ranked between poor and fair in the five criteria viz. fault rate, rectification of fault, market share of subscriber, ARPU as detailed in **Annexure-XXX**.

- The Company did not achieve the targets prescribed under Physical parameters for capacity expansion and addition of subscriber base in three years and four years respectively during the five years ended March 2012 as detailed in **Annexure-XXXI**. Further, the Management/Board of Directors did not set any yearly targets for Delhi and Mumbai units in terms of subscriber base and capacity expansion for wireline and wireless services distinctly for periodical monitoring and review of the performance of the Company.

In view of its continued poor performance the Apex Committee[54]sought (July 2008) the approval of Administrative Ministry through Department of Public Enterprises (DPE) to put the Company on notice of divestment of Navratna status if the performance of the Company did not improve in 2008-09. Department of Public Enterprises conveyed (December 2011) the decision to Administrative Ministry. The Ministry requested (February 2012) the DPE to reconsider the decision citing various reasons for which the reply of the latter was awaited (July 2013). The Company continues to hold Navratna status despite its deteriorating performance since 2008-09.

The Ministry while confirming the facts (July 2013) stated that the main reasons which have adversely impacted the financial parameters were, inter alia, wage revision/arrears, pension payment, overstaffing, reduction in tariff, limited area of operation, operating conditions of the Company, very old network, high one time spectrum fee for 3G and BWA spectrum based on auction prices etc. Regarding other parameters Ministry stated that Delhi and Mumbai are most competitive and saturated markets and MTNL faces intense competition which lead to pressure on tariff and customer retention and acquisition. Ministry further stated that yearly targets for subscriber base and capacity expansion were revised in Annual Plan of the Company based on half yearly achievements, the revised targets could not be adopted in MoU in the absence of provision for midterm revision in MoU targets.

The reply of the Ministry is not acceptable. While outflow of cash due to wage revision, arrears payment and pension payment, one time spectrum fee for 3G and BWA spectrum affected the financial parameters, poor performance on dynamic parameters related to quality of service would further erode the revenue base of the Company. The reasons

[54] Apex Committee headed by the Cabinet Secretary and consisting of Finance Secretary/Expenditure Secretary, Secretary Planning Commission, Secretary DPE and Secretary of the Administrative Ministry as members.

cited for poor performance in dynamic parameters and physical parameters, confirms poor maintenance of infrastructure and lack of proper monitoring and follow up.

5.6.6.5 Average Revenue Per User

Average Revenue per User (ARPU) is a measure used to reflect the average revenue generated by the service provider from each of its subscribers. This provides the Company a view at a per user or unit basis and allows it to track revenue sources and growth.

It was observed that Average Revenue Per User (ARPU) of the Company declined by 31.37 *per cent* from ₹816 per month (2007-08) to ₹560 per month (2011-12) in Delhi Circle in wireline services. The corresponding figures for the Mumbai Circle were ₹1060 per month and ₹840 per month i.e. 21 *per cent* decline in ARPU. Audit observed a decrease in revenue by 32 *per cent* and 34 *per cent* in Delhi and Mumbai units respectively and decrease in subscriber base by 1 *per cent* and 17 *per cent* in Delhi and Mumbai circles respectively **(Annexure-XXXII)**.

In Wireless services, the ARPU of the Company declined by 39 *per cent* from ₹222 per month to ₹135 per month in Delhi unit from 2007-08 to 2011-12 while the corresponding figures for Mumbai circle were ₹231 per month and ₹75 per month i.e. 67 *per cent* decline in ARPU. Audit observed an increase in revenue by 19 *per cent* in Delhi unit and decrease in revenue by 46 *per cent* in Mumbai unit. However, this was despite an increase in the subscriber base of 95 *per cent* in Delhi unit and 67 *per cent* in Mumbai unit during the corresponding period **(Annexure-XXXII)**. Further it was also observed that the ARPU of the Company in wireless service was below the average ARPU of the private operators in the respective circles in all the years as detailed in Table 4 below:

Table-4

(figure In ₹)

Year	Average Revenue Per User/month (Wireless Service)				
	MTNL-Delhi	**Private Operators - Delhi**	**MTNL-Mumbai**	**Private Operators - Mumbai**	**Private Operators-All India**
2007-08	221.52	393.35	231.18	432.46	277.49
2008-09	185.63	323.29	154.90	335.93	225.78
2009-10	147.53	252.73	104.19	240.29	167.69
2010-11	130.08	181.80	78.59	192.81	129.30
2011-12	134.94	NA	74.59	NA	NA

(Source:Web-site of Cellular Operators Association of India in case of private operators.)

The Ministry stated that the decrease in ARPU was in line with other operators and MTNL's entry in mobile service was delayed in comparison to private operators and this resulted in subscribing of premium customers by the private players. Further, limitation of the area of operation also affected the revenue share.

The contention of the Ministry is however not convincing as even private operators who entered into mobile services much later than MTNL, had surpassed MTNL in terms of subscriber base and revenues. Further, even though the premium customers have been subscribed by the private players, they may be brought into MTNL fold through MNP, if the QoS is better than the private players.

5.6.6.6 Procurement

(i) Blocking of investment in procurement of Next Generation Network (NGN) equipment.

Next Generation Network (NGN) equipment is an advanced type switch that provides interconnectivity between exchanges for routing traffic for long distance communication in Public Switched Telephone Network. NGN equipments are used to provide interconnectivity through exchanges (E1 links) and also to replace conventional exchanges. It is also used to give Point of Interconnection (POI) to other operators. Since most of the existing exchanges which were in operation by the Company were more than 10 years old and the Company had not initiated any action to replace the same with improved technology for better service as also to compete with other operators to increase its market share. MTNL decided to opt for switching equipments like NGN network to reduce its load on age old equipments and thereby increase their efficiency.

Accordingly, the Company placed an order (December 2007) for procurement of 64,000 (32,000 for four sites in Delhi circle and 32,000 for four sites in Mumbai circle) NGN equipment on M/s ZTE Telecom at a cost of ₹6.02 crore (Delhi: ₹3.01crore; Mumbai: ₹3.01crore). It was observed that the hardware was supplied (June/August 2008) at all the eight locations and the equipments were commissioned in March, 2009 in Delhi circle, and in a staggered manner from August 2009 to November 2009 in Mumbai circle. Thus there was a delay of over eight months in execution of the order in Delhi and more than one year in Mumbai. Further, the Company also issued PAC (Project Acceptance Certificate) on 17 March 2009 to the vendor. However, as the service was unsatisfactory the Company released an amount of ₹1.36crore (Delhi: ₹0.62 crore; Mumbai: ₹0.74 crore) towards first instalment after deducting liquidated damages amounting to ₹0.37crore (Delhi: ₹0.27 crore; Mumbai: ₹0.10 crore) due to delay in handing over of the equipment by the Vendor. The balance amount was not released due to non validation of the supplied equipment. In April 2011 Mumbai unit stated that the equipment was utilized as transit exchange only for 25 *per cent* landline traffic in Mumbai circle while in Delhi circle the utilization of the equipment was to the extent of only 52 *per cent* as on 31 March 2012.

Thus, despite the introduction of advanced technology like NGN, which was purchased with a view to capitalize and increase its market share/subscriber base, the Company was unable to achieve any tangible improvements in its services. The existing problems associated with old exchanges such as traffic congestion and poor connectivity still remained which resulted in an adverse impact on the subscriber base of MTNL and consequent decrease in Income from wireline services besides blocking of investment amounting to ₹1.36 crore on account of incomplete execution of the project.

The Ministry while confirming the introduction of untested technology stated (July 2013) that from the experience gained the Company is exploring the possibility of replacing its legacy fixed line switches through C-DOT developed IMS based NGN platform. The reply confirms that the Company is still in the process of firming up the technology to be deployed for improving its wireline services.

(ii) Wireless Services

(a) Delay in expansion of wireless capacity

Considering the growing demand for Global System Mobile communication (GSM) the Board of Directors of the Company approved (16 September 2005) placement of order of 2 million (2000K) lines which was 50 *per cent* of the total tendered quantity 4 million (4000K line) of procurement to cater to the requirement of Delhi circle while the remaining 50 *per cent* was to be procured through reservation quota[55] on M/s ITI for Mumbai circle. The expansion was necessitated as the existing capacity was overloaded[56] i.e. loading of more than 100 *per cent* in both the units as on 30 September 2006.

A Global tender was floated for procurement of 2 million lines (03 February 2006) and the order for expansion was placed in two phases on turnkey basis as detailed in Table-5 below:

[55] As per direction of Administrative Ministry MTNL is required to place 30% of its order for procurements on M/s ITI. In the instant case order was split for Delhi and Mumbai.

[56] The expansion of GSM network capacity was from 1.025 million (30 September 2006), with a subscriber base of 1.091 million in Delhi unit.

Table-5

1	2	3	4	5	6	7	8
Phase No.	**P.O.Date**	**Name of the supplier**	**Capacity (in K lines)**	**Value (₹ in crore)**	**Date of Commissioning**		
					Original	**Rescheduled**	**Actual**
I	20.10.2006	Motorola	750K – 2G	217.69	19.10.07	i)10.01.2008 ii)31.12.2008	31.12.2008
II	02.12.2008	Motorola	250K – 3G (against Phase I) 1000K - (2G:500K; 3G:500K against Phase II)	250.42	01.12.09	02.09.2010	250K (Phase-I): 02.08.09 Phase-II 500K: 02.02.10 500k: October 2010

(Source: Purchase Orders dt. 20.10.2006 and 2.12.2008)

The Company (October 2007) rescheduled the delivery of Phase I, from 20 October 2007 to 10 January 2008 on the reason that there was delay on its part in providing infrastructure for installation of the ordered equipment. The delivery period was further rescheduled to 31 December 2008 with liquidated damages.

In respect of Phase II order, the Company decided (January 2010) that due to sharing of BTS with other operators and IP provider sites, the infrastructure material (power plant and BTS items) ordered against the Phase I order had become surplus and in order to avoid build-up of inventory stock, the material ordered against Phase II needed to be amended. As such the delivery date was rescheduled from 02 December 2009 to 02 September 2010 without liquidated damages.

However, we observed (April to July 2011) that the process for extension of delivery period was initiated by the Company only in January, 2010 i.e. after the expiry of original delivery period. Further, the Company's failure to take stock of the surplus material received against Phase I order in time considering the fact that the Phase I order was executed (10 January 2008) even before the placement of Phase II order (02 December 2008) resulted in unnecessary extension to the vendor for execution of the order.

We observed (April to July 2011) that delay in commissioning of expansion equipment resulted in loss of potential subscribers to other service providers as is evident from the rapid growth in subscriber base of private operators during 2007-08 to 2011-12.(Refer Annexure-XXIII). The subscriber base in Delhi Circle had increased by around 53 *per cent* during the period 2007-08 to 2009-10. As MTNL was already operating beyond 100 *per cent* capacity (lines) in 2006, delay in commissioning of new equipment will result in MTNL's inability to increase its customer base even though the subscriber base in Delhi has witnessed an exponential growth from private sector service providers.

The Ministry replied (July 2013) that the traffic handling capacity of the network is much more than that of the actual subscriber traffic and thus there is no loss to the Company on account of capacity crunch.

The reply is however not convincing as even though the traffic handling capacity was more, the performance of the Company in terms of quality of service would be affected due to overloading of the capacity.

(b) Delay in expansion of wireless capacity in purchase through Central Public Sector Undertaking (ITI Limited) – expansion plan of Mumbai Circle

The Company placed the remaining order for 2 million (2000K) lines on M/s ITI Limited on turnkey basis under reservation quota in two phases for Mumbai circle at a total cost of ₹348 crore as detailed below:

(1) Purchase Order dated 07 October 2006 (Phase I) at a total value of ₹231.37 crore (the value amended to ₹167.46 crore vide memorandum dated 15 October 2009) and

(2) Purchase Order dated 29 October 2008 (Phase II) at a total value of ₹180.54 crore.

The orders were for expanding the existing capacity of 1.325 million lines prevailing as on March, 2007 in Mumbai circle of the Company by 2 million lines.

As per the orders, Phase I (for 0.750 million lines) was to be completed within 12 months i.e. by 06 October 2007 and Phase II (for 1.250 million lines) was to be completed within 8 months i.e. by 28 June 2009 thereafter. Against the same, 1 million lines (Phase I) were commissioned in 2008-09 (March 2009), 0.5 million lines (Phase II) were commissioned in 2009-10 (March 2010) and 0.5 million Lines (Phase II) were commissioned in 2010-11. Thus there was a delay of 16 months for Phase I and 20 months for Phase II. As the firm failed to complete the project in time, MTNL recovered ₹14.54 crore as Liquidated Damages (LD) and interest on advance as per the terms of the purchase order.

The firm represented with the Company and DoT for waiver of LD and interest on advance. The Board while according approval for the waiver of interest on advances and LD against Phase I and Phase II project directed that ITI should complete the pending project (in respect of external works like BTS) in time. Further the delivery period in respect of order dated 29 October 2008 was extended upto 31 March 2011 without liquidated damages. The firm stated (September 2010) that it would complete Phase I and Phase II by March 2011 and June 2011 respectively based on which MTNL refunded/adjusted (November 2010) the LD amount of ₹14.54 crore.

However, the firm failed to complete both the phases as per the commitment and the orders (in respect of external works like BTS) were to be completed as on March 2012. As the delay in completion of projects had already exceeded more than 36 weeks (June 2011 to March 2012) even after expiry of commitment period, MTNL should have recovered maximum of 12 *per cent* of the unexecuted cost of project as LD which worked out to ₹8.71 crore. The Ministry replied (May 2012) that LD would be deducted as and when bills are submitted by M/s ITI Limited.

The Ministry while admitting (July 2013) that the performance of cellular services in Mumbai were badly affected due to non-performance of M/s ITI, stated (July 2013) that the order was placed as per the policy and considering the past experience, the Company is going for expansion through tendering process without earmarking any part to M/s ITI under reservation quota.

5.6.6.7 Asset created but not put to use: Convergent Billing and Customer Relation Management (CB & CRM)

Convergent Billing(CB) and Customer Relation Management system (CRM) project was to serve as a single platform for all billing, provisioning and CRM application across all the lines of business (LOB) of MTNL i.e. GSM, CDMA, landline, Broadband, Leased Circuit as well as upcoming services. The system can reconcile the billing data through revenue accounting system thereby minimizing revenue leakage and enhance profitability. Convergent Billing and Customer Relation Management system is used for billing of various services based on call data records obtained from various exchanges using online system.

The order for supply, engineering, installation, customization, training, commissioning and maintenance of the complete Convergent Billing (CB) and Customer Relation Management system (CRM) was placed (14 February 2006) on Bharat Electronics Limited (BEL) at a total cost of ₹503.51 crore[57] and was scheduled for commissioning by 13 February 2007. Against the lines of Business (LOB), only two LOBs as on May 2011 in Delhi circle and one LOB in Mumbai on 27 September 2010 were commissioned. An amount of ₹138 crore (Delhi: ₹67.19 crore; Mumbai: ₹71.51 crore) was paid in accordance with the terms of the order. The system was still not fully functional as on July 2013. Thus, delay in execution of the project resulted in blocking an amount of ₹138 crore besides defeating the purpose for which the procurement of the system was made.

[57] Delhi ₹ 250.62 crore; Mumbai: ₹252.89 crore

The Ministry stated (July 2013) that the equipment worth ₹282 crore were in its possession against which only ₹138 crore was paid and that the hardware/software thus supplied are being used commercially for last three years. They further stated that the Company was pursuing with the vendor at the highest level for implementation of the project and support of live systems.

The reply confirmed the audit point that the project was not completed as per schedule and held up. Further the GSM line of business commissioned in Mumbai on 27 September 2010 was not working satisfactorily from November 2010 which in turn impacted the operational performance of the Company. Thus, delay in execution and partial implementation of the project defeated the purpose for which the system was procured.

Conclusion

Operational performance of MTNL of wireline and wireless services indicated poor quality of service, increased cost of operations, lack of maintenance of existing equipment, ineffective planning and monitoring by Administrative Ministry which resulted in significant decline in subscriber base of wireline customers. Ineffective planning, delayed expansion of wireless infrastructure equipment, poor quality of service are the contributory factors for poor growth of wireless subscribers. This further impacted market share and consequent reduction of income from services. Further, the Navratna status of the Company needs to be reviewed. The Administrative Ministry as well as the Board of Directors of the Company need to take immediate action to improve the performance of the Company so that it could compete with the ever increasing competition from the Private Service Operators. In view of the continued support from the Ministry to MTNL and its inherent advantages of operating only in the two metropolises of Delhi and Mumbai, the Company needs to relook at ways in improving core competence and also improve its operational performance.

5.7 Follow up on Audit Reports- (Commercial)

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

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

- Setting up of a monitoring cell in each Ministry for monitoring the submission of Action Taken Notes (ATNs) in respect of Audit Reports (Commercial) on individual Public Sector Undertakings (PSUs);
- Setting up of a monitoring cell in Department of Public Enterprises (DPE) for monitoring the submission of ATNs in respect of Reports containing paras relating to a number of PSUs under different Ministries; and
- Submission to the Committee, within six months from the date of presentation of the relevant Audit Reports, the follow up of ATNs duly vetted by Audit in respect of all Reports of the CAG presented to Parliament.

While reviewing the follow up action taken by the Government on the above recommendations, the COPU in its First Report (1999-2000-Thirteenth Lok Sabha) reiterated its earlier recommendations that the DPE should set up a separate monitoring cell in the DPE itself to monitor the follow-up action taken by various Ministries/Departments on the observations contained in the Audit Reports (Commercial) on individual undertakings. Accordingly, a monitoring cell 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 Bharat Sanchar Nigam Limited and 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 (Commercial) up to the years 2011-12 revealed that ATNs in respect of 92 paragraphs were pending as of September, 2013 of which ATNs on 11 paragraphs were not received at all, as detailed in the ***Appendix- I***.

CHAPTER-VI
GENERAL

6.1 Follow up on Audit Reports

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 2011-12 revealed that ATNs in respect of 13 paragraphs relating to three departments viz., DoP, DoT and DeitY under MoC&IT, which were under correspondence as detailed in the ***Appendix- II***, were pending as of September 2013.

New Delhi
Dated : 30 June 2014

(R B Sinha)
Director General of Audit
(Post and Telecommunications)

Countersigned

New Delhi
Dated : 2 July 2014

(Shashi Kant Sharma)
Comptroller and Auditor General of India

Annexures
&
Appendices

Annexure-I

(Referred to in paragraph 2.1.6.2)

Statement showing Sample size checked by TERM cell and non compliant CAFs detected along with percentage of non compliance

	2008			2009			2010			2011			2012		
TSP	Sample Size	Non compliant CAFs	Percentage of non compliant CAFs	Sample Size	Non compliant CAFs	Percentage of non compliant CAFs	Sample Size	Non compliant CAFs	Percentage of non compliant CAFs	Sample Size	Non compliant CAFs	Percentage of non compliant CAFs	Sample Size	Non compliant CAFs	Percentage of non compliant CAFs
AIRCEL	N/A	5326	-	212882	9216	4	532072	19400	4	519410	26495	5	701308	34482	5
BAL	173640	51512	30	1119349	84833	8	1950324	124268	6	1638101	86854	5	2301235	106851	5
BSNL	100884	54272	54	462258	58045	13	764046	47664	6	685733	30230	4	919085	44134	5
ICL	83285	7345	9	432263	26373	6	769748	34925	5	799695	40268	5	1217826	61886	5
RCL	103487	41822	40	611385	88713	15	999348	88461	9	961124	86072	9	1122100	66822	6
TSL	43560	12063	28	254121	19287	8	689309	36579	5	668590	30577	5	803888	38016	5
Vodafone	102012	25039	25	737856	54669	7	1331711	62462	5	1299215	53512	4	1751560	70169	4

Annexure-II

(Referred to in paragraph 3.1.7.1 (i))

Statement showing non-adjustment of contingent bills during 2009-10 to 2011-12

(₹ in crore)

Sl. No.	Name of PAO	2009-10		2010-11		2011-12		Total Amount
		No. of Bills outstanding	Amount	No. of Bills outstanding	Amount	No. of Bills outstanding	Amount	
1	Bhopal	300	0.12	376	0.11	390	1.41	1.64
2	Chennai	N.A.	N.A.	N.A.	N.A.	N.A.	19.05	19.05
3	Cuttack	24	2.92	8	4.35	11	7.07	14.34
4	Delhi	N.A.	9.94	N.A.	3.64	N.A.	6.78	20.36
5	Hyderabad	678	5.19	720	5.3	546	10.98	21.47
6	Jaipur	6	0.35	12	0.21	10	0.36	0.92
7	Kapurthala	N.A.	N.A.	N.A.	N.A.	N.A.	0.54	0.54
8	Kolkata	216	5.97	172	12.53	121	14.33	32.83
9	Lucknow	66	13.32	72	14.46	50	25.37	53.15
10	Nagpur	136	0.94	134	2.18	140	5.3	8.42
11	Patna	N.A.	28.36	N.A.	37.4	N.A.	48.87	114.63
12	Raipur	N.A.	3.44	N.A.	6.8	N.A.	9.26	19.5
13	Thiruvananthapuram	N.A.	13.67	N.A.	12.64	N.A.	23.64	49.95
14	Bangalore	N.A.	N.A.	N.A.	N.A.	N.A.	9.76	9.76
15	Ahmedabad	78	0.35	44	0.28	56	0.21	0.84
TOTAL			**84.57**		**99.90**		**182.93**	**367.40**

NA – Data not available

Source: Register and documents relating to contingencies

Annexure–III

(Referred to in paragraph 3.1.7.1 (ii))

Statement showing non-reconciliation of Post Office Schedules with Bank Scrolls

(₹ in crore)

Sl. No.	Particulars	OB as on 1st April 2009	Amount raised during 2009-12	Amount paired/adjusted	Closing balance as on 31st March 2012
1	Amount unlinked in bank scrolls in respect of drawings from Bank in respect of 7 PAOs	3171.21	13971.98	12007.02	5136.17
2	Amount unlinked in the Post Office schedules on account of drawings from Bank in respect of 8 PAOs	10300.02	33322.06	29403.36	14218.72
3	Remittances remaining unlinked in the Bank scrolls in respect of 8 PAOs	4716.45	65336.83	61981.59	8071.69
4	Remittances remaining unlinked in the Post Office schedules in respect of 7 PAOs	15342.61	15856.53	12633.00	18566.14

Source: Register of bank scrolls

Annexure– IV

(Referred to in paragraph 3.1.7.2(i))

Statement showing arrears in Cash Certificate work

(₹in crore)

Sl. No.	Name of PAO	Work in Arrears since	No. of certificates remaining unposted	Value
1.	Ahmedabad	1999	3389	2.49
2.	Bangalore	2002	2492	1.64
3.	Hyderabad	1999	176352	35.56
4.	Kapurthala	2001	71477	59.36
5.	Kolkata	2000	34314	11.86
6.	Nagpur	2008	1130	2.33
7.	Thiruvananthapuram	2008	59261	37.89
8.	Cuttack	2009	57602	11.08
9.	Chennai	2000	1509957	708.76
10.	Lucknow	1999	873714	549.66
11.	Delhi	1999	540	0.29
12.	Bhopal	2005	268726	66.76
13.	Raipur	2005	73100	15.96
Total			**2790228**	**1420.92**

Source: Register of un-posted items

Annexure-V

(Referred to in paragraph 3.1.7.3 (i))

Statement showing pending issue and paid lists

Sl. No.	Name of PAO	No. of HPOs from whom returns pending		Pairing Pending in PAO Since
		Issue Lists	Paid Lists	
1.	Nagpur (Gujarat)	7	14	December 2011
2.	Nagpur (Maharashtra)	28	16	December 2011
3.	Thiruvananthapuram	37	22	April 2010
4.	Bhopal	42	32	August 2011
5.	Chennai	13	13	August 2009
6.	Hyderabad	95	95	April 2005
7.	Cuttack	35	35	April 2011
8.	Raipur	9	6	August 2011
9.	Lucknow	80	21	January 2011
10.	Kolkata	44	44	August 2009

Source: MO issued and Paid registers

Annexure– VI

(Referred to in paragraph 3.1.7.4 (i))

Statement showing non-recovery of penal interest

(₹in crore)

Sl.No.	Name of PAO	Period for which outstanding	Amount
1	Bangalore	2003-04 to 12/2011	2.74
2	Bhopal	2009-10 to 2010-11	0.09
3	Chennai	1/12 to 3/12	0.03
4	Cuttack	2008-09	0.04
5	Delhi	Sep-08	1.12
6	Hyderabad	2/2007 to 6/2011	2.06
7	Jaipur	9/10 to 3/12	0.26
8	Kapurthala	1/09 to 3/09	0.06
9	Kolkata	2006 to 2008	0.04
10	Nagpur	9/2006 to 12/2010	0.04
11	Patna	Dec-11	1.96
12	Thiruvananthapuram	2007-08 to 2010-11	0.37
13.	Raipur	2009-10 to 2010-11	0.05
	Total		**8.86**

Source: Records of Accounts Current section in PAOs

Annexure–VII

(Referred to in paragraph 3.1.7.4(ii))

Statement showing non-recovery of outstanding amount of pension and commission thereon

(₹ in crore)

Sl. No.	Name of PAO	Total Amount due		Pending since
		Amount	Commission	
1	Bangalore	7.70	1.11	2009-10
2	Chennai	1.26	0.37	2005-06
3	Hyderabad	3.22	0.26	2008-09
4	Lucknow	1.79	0.23	2011-12
5	Nagpur	1.42	0.47	2010-11
6	Patna	14.01	1.60	2002-03
7	Delhi	1.27	0.04	2011-12
8	Kapurthala	0.12	0.02	2009-10
9	Kolkata	0.03	0.18	2011-12
10	Ahmedabad	0	0.22	2011-12
11	Cuttack	0	1.48	2011-12
12	Bhopal	0.46	0	2009-10
13	Raipur	0.78	0	2009-10
Total		**32.06**	**5.98**	

Annexure-VIII

(Referred to in paragraph 3.1.7.5 (ii))

Statement showing delay in issue of inspection reports

Sl. No.	Name of PAO	Total IRs issued	No. of IRs issued with delay	Delay (range of delay) in days
1.	Ahmedabad	101	70	5 to 84
2.	Chennai	312	102	33 to 210
3.	Cuttack		41	30 to365
4.	Hyderabad	256	196	19 to 192
5.	Lucknow	297	283	60 to 272
6.	Nagpur	185	184	1 to 29
7.	Bangalore	167	131	30 to 365
8.	Delhi	99	78	-
9.	Jaipur	156	100	5 to 86
10.	Bhopal	112	108	21 to 223
11.	Raipur	32	30	12 to 142
12.	Thiruvananthapuram	95	93	5 to 240

Source: Registers maintained for IRs

Annexure-IX

(Referred to in paragraph 3.2)

Statement showing irregular claim of remuneration on silent accounts

(Amount in ₹)

S.No.	Name of HO	Number of silent accounts				Remuneration claimed during				Total Remuneration claimed from 2009-10 to 2012-13
		2009-10	2010-11	2011-12	2012-13	2009-10	2010-11	2011-12	2012-13	
Gujarat Postal Circle										
1	Bhavnagar	0	32671	32671	32671	0	4441949	4274347	4523953	13240249
2	Navasari/Bilimora	0	0	29331	29331	0	0	3837375	4061464	7898838
3	Amreli	0	18570	18570	18570	0	2524777	2429513	2571388	7525678
4	Surat	0	0	77230	77230	0	0	10104001	10694038	20798039
5	Valsad	0	0	22345	22345	0	0	2923396	3094112	6017509
6	Porbandar	0	16218	16218	16218	0	2204999	2121801	2245706	6572507
7	Navrangpura	0	17378	17378	17378	0	2362713	2273564	2406332	7042608
8	Vadodara	861	34241	37611	37611	111491	4655406	4920647	5207995	14895540
9	Dahod	7622	7622	7622	7622	986973	1036287	997186	1055418	4075865
10	Mehsana/Patan/Palanpur	0	40936	40936	40936	0	5565659	5355657	5668408	16589723
11	GPO Ahmedabad	13918	15762	15762	15762	1802242	2143002	2062142	2182564	8189950
12	Rajkot	23704	23704	23704	23704	3069431	3222796	3101194	3282293	12675714
13	Junagadh	16254	16254	16260	16260	2104730	2209894	2127296	2251522	8693442
	Total				**355638**					**134215662**

Tamilnadu Postal Circle										
14	Thanjavur			18594	18594	0	0	2432653	2574711	5007364
15	Mayiladuthurai				58549	0	0	0	8107280	8107280
16	Chengalpattu	9474	17167	17858	17858	1226788	2334025	2336362	2472797	8369973
17	Ambasamudram	0	0	0	31628	0	0	0	4379529	4379529
18	Coonoor	0	0	0	9497	0	0	0	1315050	1315050
19	Manamadurai	0	17611	21131	22366	0	2394391	2764569	3097020	8255980
20	Pudukottai	0	0	19161	19161	0	0	2506834	2653224	5160057
21	Tirunelveli	0	0	0	19611	0	0	0	2715535	2715535
	Total				**197264**	**0**				**43310768**
Rajasthan Postal Circle										
22	Marwar Junction		1120	16613	0	0	453891	4473881		4927772
23	Nasirabad		160	1346	1838		64842	362478	254507	681827
24	Dausa			795	0			214093		214093
25	Sri Modhopur		2097	6816			849829	1835548		2685377
	Total				**1838**					**8509069**
	Grand Total				**554740**					**186035499**

Annexure-X

(Referred to in paragraph 3.3)

Statement showing short realization of revenue of ₹8.91 Crore by Tamil Nadu Postal Circle

(₹ in crore)

S.No	Name of Division	No. of HPOs covered	Name of HPO	Amount
1.	Kancheepuram	1	Kanchipuram	0.29
		2	Thiruvallur	
2.	Tiruvannamalai	3	Arni	0.02
		4	Tiruvanamalai	
3.	Nagapattinam	5	Natapattinam	2.79
		6	Tirvanur	
4	Dindigul	7	Dindigul	0.65
		8	Palani	
		9	Nilakottai	
5	Kanyakumari	10	Nagercoil	2.65
		11	Thuckalay	
6	Karaikudi	12	Karaikudi	0.18
		13	Devakottai	
7	Ramanathapuram	14	Ramnad	0.13
		15	Paramakudi	
8	Theni	16	Bodinayakanur	0.08
		17	Periakulam	
9	Dharampuri	18	Dharampuri	0.01
		19	Krishnagiri	
10	Salem East	20	Salem	0.37
		21	Attur	
11	Erode	22	Erode	0.01
		23	Bhavani	
		24	Gobi	
12	Madurai	25	Tallakulam	1.17
13	Thanjavur	26	Thanjavur	0.30
14	Trichy	27	Trichy	0.07
	Gazetted PO	28	Anna Road	0.19
Total				**8.91**

Annexure-XI

(Referred to in paragraph 5.1.3)

Statement of number of plots covered in selected SSAs

Sl. No.	Name of State	Name of the Circle	Number of SSAs in the Circle	Number of Plots in the Circle	Number of SSAs covered in Audit	Name of SSAs Covered in Audit	Number of Plots covered in Audit
1	Gujarat	Ahmadabad TD#	1	134	1	Ahmedabad TD	134
		Gujarat Circle	16	1468	3	Surat, Himmatnagar and Junagadh	307
2	Andhra Pradesh	Andhra Pradesh	22	1410	3	Hyderabad TD, Karimnagar and West Godavari	321
3	Bihar	Bihar	19	351	1	Patna	92
4	West Bengal	Kolkata Phones	1	72	1	Kolkata Metro District	72
		West Bengal	14	201	3	Calcutta SSA, Suri and Asansol (Burdwan Division)	37
5	Tamil Nadu	Chennai Phones	1	112	1	Chennai Metro District	112
		Tamil Nadu	17	887	17	Coimbatore, Cuddalore, Dharmapuri, Erode, Karaikudi, Kumbhakonam, Madurai, Nagercoil, Nilgiris, Pondicherry, Salem, Thanjavur, Tirunelveli, Trichy, Tuticorin, Vellore and Virudhunagar.	880
6	Kerala	Kerala	11	725	11	Trivandrum, Kollam, Pathanmitha, Alappuzha, Ernakulam, Trissur, Palakkad, Malappuram, Kozhikode, Kannur and Kottayam	725
7	Karnataka	Bangalore TD#	1	90	1	Bengaluru TD	88
		Karnataka	18	1232	3	Chikmangalore, Dharwad and Shimoga	265
8	Maharashtra	Maharashtra	31	1686	5	Pune, Sholapur, Nanded, Raigad and Kalyan.	363

Sl. No.	Name of State	Name of the Circle	Number of SSAs in the Circle	Number of Plots in the Circle	Number of SSAs covered in Audit	Name of SSAs Covered in Audit	Number of Plots covered in Audit
9	Madhya Pradesh	Madhya Pradesh	34	1261	3	Indore, Bhopal and Morena.	257
10	Odisha	Orissa	13	431	2	Bhubaneshwar and Cuttack.	131
11	Punjab	Punjab	11	367	3	Amritsar, Chandigarh and Hoshiarpur.	103
12	Rajasthan	Rajasthan	24	826	4	Jaipur, Udaipur, Jhunjhunu and Bharatpur.	166
13	Uttar Prdesh	Uttar Pradesh (East)	31	741	5	Allahabad, Lucknow, Azamgarh, Ballia and Bahraich	174
		Total	**265**	**11994**	**67**		**4227**
The selected Circles have total 265 SSAs and 11994 Plots, out of which 67 SSAs (25.28*per cent* of total SSAs) were selected for Thematic Audit and 4227 Plots (35.24 *per cent* of total plots available in the Circles) were covered.							
# Ahmedabad TD and Bangalore TD are not separate circles but part of Gujarat and Karnataka circle respectively.							

Annexure-XII

(Referred to in paragraph 5.1.6.1)

Statement of Freehold & Leasehold Plots of BSNL

			Inherited Plots from DoT as on 1.10.2000						Acquired Plots by BSNL after 1.10.2000					
			Freehold Plots			Leasehold Plots			Freehold Plots			Leasehold Plots		
Sl. No.	Name of Circle	Plots as per dbase	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)
1	A&N	47	41	130656	10.86	0	0	0	6	4794	0.62	0	0	0
2	Ahmedabad	134	97	538813.1	360.93	25	109528	1275.72	4	6300	1.5	8	568	64.02
3	ALTTC	1	1	327935	36.66	0	0	0	0	0	0	0	0	0
4	Andhra Pradesh	1410	1086	2742275	6520.04	9	25561	0.6	314	217318.3	477.37	1	373.25	0.234
5	Assam	279	243	510714.6	973.91	0	0	0	36	52139.65	32.98	0	0	0
6	Bengaluru	90	70	475570	2099.34	4	5602	59.1	16	18091.21	492.69	0	0	0
7	Bihar	351	322	838351.1	1057.67	1	4453	38.91	24	41652.75	248.94	4	5174	2.46
8	Chennai TD	112	102	875730.3	1967.65	5	17764	5.34	4	3726	41.89	1	2874	0.00001
9	Chattisgarh	235	153	724720.3	278.16	10	44270.19	24.66	64	50371.53	0.67	8	5253	0.002
10	ETP	0	0	0	0	0	0	0	0	0	0	0	0	0
11	ETR	86	82	271070.15	166.18	4	10762.12	8.06	0	0	0	0	0	0
12	Gujarat	1468	970	1890770	234757.3	13	51136.92	343.11	479	473112.7	28023.62	6	12331.8	412.66
13	Hariyana	225	191	906245.9	3161.9	0	0	0	34	100957	1307.85	0	0	0
14	Himachal Pradesh	157	141	186190	214.31	5	4984	1.92	9	8347.2	16.87	2	1443	16.27
15	Jabalpur- TTC	7	7	210491	6.99	0	0	0	0	0	0	0	0	0
16	J& K	103	3	4112.36	12.84	85	262155.1	726.25	2	6004	2	13	28348.83	63.15
17	Jharkhand	155	129	792502.5	1565.25	13	59559.72	112.76	9	12588.6	5.22	4	1426.31	4.91
18	Karnataka	1232	931	1915685.96	1621.93	6	16356	0.00001	293	227624.41	351.83	2	1530	0.98

			Inherited Plots from DoT as on 1.10.2000						Acquired Plots by BSNL after 1.10.2000					
			Freehold Plots			Leasehold Plots			Freehold Plots			Leasehold Plots		
Sl. No.	Name of Circle	Plots as per dbase	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)
19	Kerala	725	609	1603250	2684.47	12	31304	3.78	103	177395.4	1309.38	1	1000	0.01
20	Kolkata TD	72	66	641599	1264.38	4	4	0.00001	1	2833	42.35	1	1339	70.66
21	Madhya Pradesh	1261	802	2578086.55	13422.65	41	119647.9	412.64	399	559589.04	23.23	19	26845.39	27.4
22	Maharastra	1686	1155	4122724	4004.64	136	836969.2	1485.29	376	474873.54	580.47	19	40984	410.65
23	NE-I	242	123	337116.7	213.02	91	188282.2	0.00091	26	32516.14	85.01	2	2071.54	0.00002
24	NE - II	196	180	520167.1	349.9	2	5767	0.00002	14	27288.21	65.05	0	0	0
25	NTP	15	14	6581.28	46.06	1	4080	3.76	0	0	0	0	0	0
26	NTR	148	141	1240905	672.74	7	16596.75	33.46	0	0	0	0	0	0
27	Orissa	431	168	603867	688.74	148	570057	694.82	21	74663	119.32	94	170853	522.23
28	Punjab	367	326	1186944.99	4530.98	10	64540	56.64	31	81542.24	760.14	0	0	0
29	QA Bengaluru	2	0	0	0	2	5907	0	0	0	0	0	0	0
30	Rajasthan	826	696	2521931.5	4590.3	7	30130	11.58	123	147890.9	286.29	0	0	0
31	UP (East)	741	713	2502113	4467.77	12	94468.55	90.75	16	65749.03	170.64	0	0	0
32	UP (West)	293	252	782934.9	5093.29	10	115074	700.96	30	76364.29	724.84	1	840	0
33	Tamil Nadu	887	764	2177557.98	4729.37	10	29012.8	5.14	110	137383.33	379.83	3	2778.8	0.48
34	Uttaranchal	79	53	230542.8	1134.7	11	28983.18	53.27	8	15364.49	235.7	7	17124	62.6
35	STP	10	9	8140.19	2.95	0	0	0	1	1115.24	495.35	0	0	0
36	T & D Jabalpur	3	3	35587.1	11.92	0	0	0	0	0	0	0	0	0
37	TF Jabalpur	20	17	337911.44	5.63	3	361549.36	5.46	0	0	0	0	0	0
38	TF Kolkata	5	2	52230	3.01	3	90862.8	14.15	0	0	0	0	0	0
39	TS Kolkata	1	0	0	0	1	20655	NA	0	0	0	0	0	0

			Inherited Plots from DoT as on 1.10.2000						Acquired Plots by BSNL after 1.10.2000					
			Freehold Plots			Leasehold Plots			Freehold Plots			Leasehold Plots		
Sl. No.	Name of Circle	Plots as per dbase	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)
40	West Bengal	201	154	842929.9	522.6	36	177377.91	185.37	7	14070.03	69.4	4	4194	10.5
41	WTF_Mumbai	2	2	264277.3	18.9	0	0	0	0	0	0	0	0	0
42	WTP_Mumbai	10	8	6236.06	12.05	1	5806.25	5.67	1	6684.95	18.49	0	0	0
43	WTR	320	307	572908.6	433.99	12	24916.5	7.59	1	810	0.1	0	0	0
44	STR	347	313	657608.8	216.49	8	20635.49	4.06	26	3532.7	2.51	0	0	0
	Total	**14982**	**11446**	**37175984.46**	**303932.47**	**748**	**3454758.94**	**6370.82**	**2588**	**3122692.88**	**36372.15**	**200**	**327351.92**	**1669.22**

Note: Database referred to the Data supplied in Soft form by the BSNL Corporate Office Civil Wing excluded one Circle, i.e. IT Circle (Pune). So out of 45 Circles, details of 44 Circles were given

The data were analysed and segregated between DoT and BSNL considering 2001 as the year of acquisition for land pertaining to BSNL, unless the exact date of acquisition (on or after 1.10.2000) was found in the data base.

	Freehold Plots			Leasehold Plots		
	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)
Inherited Plots	11446	37175984.46	303932.47	748	3454758.94	6370.82
Acquired Plots	2588	3122692.88	36372.15	200	327351.92	1669.22
Total	**14034**	**40298677.34**	**340304.62**	**948**	**3782110.86**	**8040.04**

Annexure –XIII

(Referred to in paragraph 5.1.6.3)

Statement on vacant plots of covered circles

Sl. No.	Circle	Inherited			Acquired		
		Number of Plots	Area (in Sq. Mt)	Value (₹ in lakh)	Number of Plots	Area (in Sq. Mt)	Value (₹ in lakh)
1	Gujarat	114	143285.54	557.7	101	74725.45	27419.66
2	Karnataka	167	282116.9	322.75	189	149039.56	347.94
3	Kerala	37	44058.97	102.89	16	25092	281.11
4	Kolkata	3	5788	63.81	0	0	0
5	Punjab	20	45929	210.49	6	12812.24	155.73
6	Rajasthan	88	259013.84	518.12	26	26102.59	27.86
7	Tamil Nadu	24	53181.23	573.9	29	52175	147.54
8	West Bengal	4	2946	0.38	1	2732	12
9	Chennai	15	42954	396.99	4	3726	41.89
10	Andhra Pradesh	47	95839.54	1188.15	82	40658.21	17.87
11	Bihar	29	55883.99	152.05	7	10826.26	6.64
12	Maharashtra	225	369230.3	554.14	201	252643	339.74
13	Orissa	14	34624	135.52	11	33211	33.75
14	Uttar Pradesh (East)	142	330952.1	306.67	3	10405.05	9.38
15	Madhya Pradesh	59	153019.5	86.69	55	86917.16	6.84
TOTAL		**988**	**1918822.9**	**5170.25**	**731**	**781065.52**	**28847.95**

Note: Gujarat includes figures of Ahmedabad TD & Karnataka includes figures of Bengaluru TD

Summary of Vacant Plots			
	Inherited	**Acquired**	**Total**
No of Plots	988	731	1719
Area	1918822.91	781065.52	2699888.4
Book Value (₹ in lakh)	5170.25	28847.95	34018.20

Annexure - XIV

(Referred to in paragraph 5.1.6.3)

Statement of total Freehold & Leasehold Plots in the selected Circles of BSNL

			Inherited Plots from DoT as on 1.10.2000						Acquired Plots by BSNL after 1.10.2000					
			Freehold Plots			Leasehold Plots			Freehold Plots			Leasehold Plots		
Sl. No.	Name of Circle	Plots as per dbase	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)
1	Ahmedabad	134	97	538813.1	360.93	25	109528	1275.72	4	6300	1.5	8	568	64.02
	Gujarat	1468	970	1890770	234757.3	13	51136.9	343.11	479	473112.7	28023.62	6	12331.8	412.66
2	Andhra Pradesh	1410	1086	2742275	6520.04	9	25561	0.6	314	217318.3	477.37	1	373.25	0.234
3	Bengaluru	90	70	475570	2099.34	4	5602	59.1	16	18091.21	492.69	0	0	0
	Karnataka	1232	931	1915685.96	1621.93	6	16356	0.00001	293	227624.41	351.83	2	1530	0.98
4	Bihar	351	322	838351.1	1057.67	1	4453	38.91	24	41652.75	248.94	4	5174	2.46
5	Chennai TD	112	102	875730.3	1967.65	5	17764	5.34	4	3726	41.89	1	2874	0.00001
6	Tamil Nadu	887	764	2177557.98	4729.37	10	29012.8	5.14	110	137383.33	379.83	3	2778.8	0.48
7	Kerala	725	609	1603250	2684.47	12	31304	3.78	103	177395.4	1309.38	1	1000	0.01
8	Kolkata TD	72	66	641599	1264.38	4	4	0.00001	1	2833	42.35	1	1339	70.66
9	West Bengal	201	154	842929.9	522.6	36	177378	185.37	7	14070.03	69.4	4	4194	10.5
10	Madhya Pradesh	1261	802	2578086.55	13422.65	41	119648	412.64	399	559589.04	23.23	19	26845.39	27.4

			Inherited Plots from DoT as on 1.10.2000						Acquired Plots by BSNL after 1.10.2000					
			Freehold Plots			Leasehold Plots			Freehold Plots			Leasehold Plots		
Sl. No.	Name of Circle	Plots as per dbase	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Freehold plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)	No. of Leasehold Plots	Area (Sq. mt.)	Acquisition Cost (BV) (₹ in lakh)
11	Maharastra	1686	1155	4122724	4004.64	136	836969	1485.29	376	474873.54	580.47	19	40984	410.65
12	Orissa	431	168	603867	688.74	148	570057	694.82	21	74663	119.32	94	170853	522.23
13	Punjab	367	326	1186944.99	4530.98	10	64540	56.64	31	81542.24	760.14	0	0	0
14	Rajasthan	826	696	2521931.5	4590.3	7	30130	11.58	123	147890.9	286.29	0	0	0
15	UP (East)	741	713	2502113	4467.77	12	94468.6	90.75	16	65749.03	170.64	0	0	0
	Total	**11994**	**9031**	**28058199.38**	**289290.76**	**479**	**2183912**	**4668.79**	**2321**	**2723814.88**	**33378.89**	**163**	**270845.24**	**1522.28401**

Annexure- XV

(Referred to in paragraph 5.1.6.3)

Statement on vacant land procured by BSNL after its formation

(₹ in lakh)

Circle	SSA	No of plots	Area (Sq.Mt)	Year of Acquisition	Mode of Acquisition	Cost of Acquisition
Maharashtra	Kalyan	1	6596.2	2003	Lease	211.24
		4	15000	2001 & 2007	Purchase	25.4
	Pune	13	28900	2001 to 2007	Purchase	76.74
	Sholapur	40	41751	2001 to 2003	Purchase	23.66
	Nanded	3	3245.66	2001	Purchase	0.02
Kerala	Thiruvananthap uram	1	2252	2007	Purchase	11.56
	Kannur	1	2400	2003	Purchase	13.27
	Trichur	1	1447	2009	Purchase	15.01
Tamilnadu	Cuddalore	1	526	2001	Purchase	0.53
	Coimbatore	1	2023	2001	Purchase	0
	Dharmapuri	2	1512.08	2001 & 2006	Purchase	0.1
	Kumbhakonam	2	3482	2001 & 2008	Purchase	1.8
	Salem	5	6181.17	2000 to 2008	Purchase	2.93
	Tanjore	1	607	2002	Purchase	0
	Trichy	5	7600	2002 & 2004	Purchase	4.87
	Virdhunagar	1	2387.14	2001	Purchase	0
	Vellore	2	2827.69	2001	Purchase	0.36
	Tutikorin	1	2023	2000	Purchase	0.001
Chennai Telephones	Chennai	1	888	2000	Purchase	4.55
Karnataka	Chikmagalur	3	2590.21	2001 & 2002,	Purchase	0
	Dharwad	2	17195.28	2003	Purchase	42.47
	Shimoga	17	6667.85	2002 to 2011	Purchase	14.27
	Bangalore	8	6676.89	2001	Purchase	172.93
Punjab	Chandigarh	1	836	2009	Purchase	45.15
	Hoshiarpur	1	2841	2002	Purchase	22.5
Kolkata Telephones	Kolkata	1	1338.31	2003	Lease	70.67
TOTAL		**119**	**169794.48**			**760.031**

Annexure – XVI

(Referred to in paragraph 5.1.6.4)

Statement of encroachment of Land in covered SSAs

Sl. No.	Name of Circle	No. of SSA Covered	Name of SSA where encroachment established	No. of Plots encroached	Inherited as encroached		No. of Plots encroached	Inherited Plots where encroachment took place after 1.10.2000		No. of Plots encroached	Encroachment of Fresh acquired land after 1.10.2000	
					Area (in Sq. Mt.)	BV (₹ in lakh)		Area (in Sq. Mt.)	BV (₹ in lakh)		Area (in Sq. Mt.)	BV (₹ in lakh)
1	Madhya Pradesh	3	Morena	-	-	-	1	2717	0.00025	-	-	-
			Indore	6	12848	0.75125	-	-	-	-	-	-
2	Maharashtra	5	Sholapur	-	-	-	1	563	NA	-	-	-
			Pune	-	-	-	-	-	-	2	1580	NA
			Nanded	2	1914	NA	-	-	-	-	-	-
			Raigad	1	73.65	0.00251	-	-	-	-	-	-
3	Karnataka	4	No Encroachment	-	-	-	-	-	-	-	-	-
4	Punjab	3	No Encroachment	-	-	-	-	-	-	-	-	-
5	Gujarat	4	Himmatnagar	1	4850	4.12	-	-	-	-	-	-
			Surat	1	1000	1.05	-	-	-	-	-	-
			Junagadh	1	629.11	5.13	-	-	-	-	-	-
6	West Bengal	3	Calcutta SSA	-	-	-	1	36421.71	0.29	-	-	-
7	Andhra Pradesh	3	Hyderabad TD	1	10000	35.64	-	-	-	-	-	-
8	Bihar	1	Patna	2	81343	0.002	-	-	-	-	-	-
9	Chennai TD	1	No Encroachment	-	-	-	-	-	-	-	-	-

Sl. No.	Name of Circle	No. of SSA Covered	Name of SSA where encroachment established	No. of Plots encroached	Inherited as encroached		No. of Plots encroached	Inherited Plots where encroachment took place after 1.10.2000		No. of Plots encroached	Encroachment of Fresh acquired land after 1.10.2000	
					Area (in Sq. Mt.)	BV (₹ in lakh)		Area (in Sq. Mt.)	BV (₹ in lakh)		Area (in Sq. Mt.)	BV (₹ in lakh)
10	Tamil Nadu	17	Cuddalore	-	-	-	-	-	-	1	550	0.7458
			Trichi	-	-	-	-	-	-	1	1700	0.12
11	Kerala	11	No Encroachment	-	-	-	-	-	-	-	-	-
12	Kolkata TD	1	CTD	-	-	-	1	2799	-	-	-	-
13	Rajasthan	4	Bharatpur	1	3743	4.03	-	-	-	-	-	-
			Udaipur	1	2132	19.35	-	-	-	-	-	-
			Jaipur	1	1000	0.00001	-	-	-	-	-	-
14	Uttar Pradesh (East)	5	Ballia	3	4542.01	30.58	-	-	-	-	-	-
15	Odisha	2	No Encroachment	-	-	-	-	-	-	-	-	-
Total SSAs		**67**	**Total**	**21**	**124074.8**	**100.65577**	**4**	**42500.71**	**0.29025**	**4**	**3830**	**0.8658**

Annexure –XVII

(Referred to in paragraph 5.1.6.5(i))

Statements on non execution of Lease deed and Sale deed despite payment

Statements on non execution of Lease deed despite payment

Sl. No.	Name of Circle	Name of SSA	Number of Plots	Total Area (in Sq. Mt)	Amount Paid (₹ in lakh)	Remarks
1	Gujarat	Ahmedabad TD	8	592	55.5	Lease Deed not executed.
2		Surat	1	400	1.05	Do
3	Rajasthan	Jaipur	5	5700	7.25	Do
4		Udaipur	3	5353.29	0	Do
Total of Non Execution of Lease deed:			**17**	**12045.29**	**63.8**	--

Statement of non execution of free hold / sale deed despite payment

Sl. No.	Name of Circle	Name of SSA	Number of Plots	Total Area (in Sq. Mt)	Amount Paid (₹ in lakh)	Remarks
1	Gujarat	Surat	5	2530	1.99	Sale Deed not executed
2		Himmatnagar	55	78974	188.19	Do
3		Junagarh	3	1500	2.38	Do
4	Punjab	Chandigarh	1	843.13	81.62	Do
5	Rajasthan	Bharatpur	1	1590	0	Do
Total of Non Execution of Free hold /Sale deed:			**65**	**85437.13**	**274.18**	

Annexure-XVIII

(Referred to in paragraph 5.3)

Statement showing unutilised SMPS Power Plants

Name of Circle	SMPS PP (Type)	Opening Balance as on April 2008	Received during 2008-09 to 2011-12	Issued/ Utilised/ diverted during 2008-09 to 2011-12	Closing Balance as on March 2012	Period for lying idle	Cost of SMPS PP (in ₹)
UP(E)	100 A (3+1)	0	301	244	57	more than 1 year	9282279
UP(E)	100 A (2+1)	126	1453	988	591	more than 2 years	82409631
AP	100 A (4+1)	4	32	21	15	more than 1 year	3154110
AP	100 A (3+1)	25	268	206	87	more than 1 to 3 years	13899033
AP	100 A (2+1)	7	83	49	41	more than 1 to 2 years	5623396
AP	25 A (7+1)	1	667	653	15	more than 1 to 2 years	1170060
AP	25 A (3+1)	16	281	167	130	more than 1 to 2 years	7307170
MH (Mumbai)	100 A (3+1)	0	67	34	33	more than 1 to 3 years	4964156
MH (Mumbai)	25 A (3+1)	16	2	6	12	more than 3 years	862178
MH (Mumbai)	25 A (5+1)	3	0	0	3	more than 4 years	270987
MH (Nagpur)	100 A (3+1)	41	151	111	81	more than 3 years	18030114
MH (Nagpur)	25 A (7+1)	0	46	30	16	more than 2 years	1251264
MH (Nagpur)	25 A (5+1)	112	5	83	34	more than 4 years	2962352
MH (Nagpur)	25 A (3+1)	56	162	95	123	more than 3 years	7516653
J&K	100 A (2+1)	0	250	157	93	more than 2 years	15195363
Gujarat	25 A (3+1)	0	100	77	23	more than 1 year	2310212
Gujarat	25 A (3+1)	0	645	491	154	more than 1 year	15130654
Gujarat	25 A (3+1)	0	366	262	104	more than 1 year	10387936
Total		**407**	**4879**	**3674**	**1612**		**201727548**

UP (East) – Uttar Pradesh (East); AP – Andhra Pradesh; MH – Maharashtra; J&K – Jammu and Kashmir.

Annexure-XIX

(Referred to in paragraph 5.5.6.1 (ii))

Capacity Utilization of BLCS

Year	Equipped capacity (Units in E1s)[1]	Utilization (Units in E1s)			Spare	Utilisation in percentage
		Carrier		Leased to other ILD operator		
		Used by BSNL for traffic between India and Sri Lanka	Used by Foreign operators for other destinations around the world			
2006-07	4032	10	63	--	3959	**1.81**
2007-08	4032	10	441	--	3581	**11.19**
2008-09	4032	10	525	--	3497	**13.27**
2009-10	4032	10	336	66	3620	**10.22**
2010-11	4032	10	126	570	3326	**17.51**
2011-12	4032	10	63	504	3465	**14.31**

Source: Data provided by the Company.

[1] 1 STM-1= 63E1 and 1E1 = 30 channel i.e. 30 person can communicate at one point of time.

Annexure-XX

(Referred to in paragraph 5.5.6.2 (ii))

Hiring of bandwidth[2] for UK

(After January 2012 to September 2012)

Sl. No.	Location	Name of Operator	Lease Period	Rate per annum (₹)	Amount(₹)
1	Chennai	Bharti Airtel Ltd	1 year	1,25,70,000	1,25,70,000
2	Mumbai	Reliance Communication Ltd	1 Year	1,25,70,000	1,25,70,000
3	Bangalore	Bharti Airtel Ltd	3 months	1,25,70,000	31,42,500
4	Bangalore	Tata Communication Ltd	3 months	90,50,400	22,62,600
5	Bangalore	Bharti Airtel Ltd	1 Year	90,50,400	90,50,400
					3,95,95,500

Source: Data provided by the Company.

[2] Three IPLC STM-16 links for one year and extension of two IPLC STM-16 links for three months

Annexure-XXI

(Referred to in paragraph 5.6.5)

Income from Wireline and Wireless services in the two units for the last five years ended 31 March 2012

(₹ in crore)

Description	2007-08		2008-09		2009-10		2010-11		2011-12	
	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai
(1) Wireline Services	1546	2450	1386	2306	1170	1834	1402	1688	1050	1618
(2)Wireless Services	393	489	427	420	401	315	391	254	467	264
(3) Income from Service - Corporate Office	-156		-83		-63		-61		-26	
(4)Total of Wireline and Wireless services (1 + 2)	1939	2939	1813	2726	1571	2149	1793	1942	1517	1882
(5) Income from services of the company (1+2+3)	4722		4456		3657		3674		3373	
(6) Percentage of total to income from services of the company	41%	62%	41%	61%	43%	59%	49%	53%	45%	56%

Source : Audited Accounts of the Company

Annexure-XXII

(Referred to in paragraph 5.6.5)

Capacity Utilization

(figures in lakh)

	2007-08			2008-09			2009-10			2010-11			2011-12		
	Capacity	Subscribers	Percentage utilization	Capacity	Subscribers	Percentage utilization	Capacity	Subscribers	Percentage utilization	Capacity	Subscribers	Percentage utilization	Capacity	Subscribers	Percentage utilization
Basic Wireline	**56.71**	**36.78**	**64.86**	**56.71**	**35.73**	**63.00**	**54.97**	**34.97**	**63.62**	**54.49**	**34.63**	**63.55**	**53.43**	**34.57**	**64.70**
Delhi	28.10	15.76	56.09	28.10	15.26	54.31	27.73	15.38	55.46	27.72	15.46	55.77	27.72	15.63	56.39
Mumbai	28.61	21.02	73.47	28.61	20.47	71.55	27.24	19.59	71.92	26.77	19.17	71.61	25.71	18.94	73.66
WLL- M & F	**10.98**	**2.90**	**26.41**	**10.98**	**3.05**	**27.78**	**10.92**	**3.10**	**28.39**	**10.92**	**2.79**	**25.55**	**10.92**	**2.47**	**22.62**
Delhi	5.50	1.26	22.91	5.50	1.41	25.64	5.50	1.41	25.64	5.50	1.37	24.91	5.50	1.34	24.36
Mumbai	5.48	1.64	29.93	5.48	1.64	29.93	5.42	1.69	31.18	5.42	1.42	26.20	5.42	1.13	20.85
Wireless (GSM)	**31.00**	**32.42**	**104.58**	**41.00**	**41.77**	**101.88**	**53.50**	**47.84**	**89.42**	**63.50**	**51.99**	**81.86**	**60.50**	**55.85**	**92.31**
Delhi	17.75	14.79	83.32	17.75	19.18	108.06	25.25	22.64	89.66	30.25	25.06	82.81	30.25	27.52	90.98
Mumbai	13.25	17.63	133.06	23.25	22.59	97.16	28.25	25.20	89.20	33.25	26.93	81.00	30.25	28.33	93.65

(Source: MTNL website/ Annual Reports.)

Annexure-XXIII

(Referred to in paragraph 5.6.6.2)

Wireless subscriber base of telecom operators in Delhi and Mumbai

Service Provider	2007-08		2008-09		2009-10		2010-11		2011-12		Percentage increase over 5 years	
	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai
MTNL	1478440	1763411	1918496	2258180	2263620	2520833	2505841	2693496	2760058	2833320	87	61
Bharti Airtel	3890698	2427460	4812579	2802180	5915225	3045394	7988121	3450682	8748943	3729476	125	54
Vodafone/ Essar	3216769	3451567	4092931	4373872	5066868	5110911	7273088	5776011	8623098	5802365	168	68
Idea	1897693	NA	2405168	751757	2590843	1537515	3726043	2000466	4764047	2850249	151	NA
BPL/Loop	NA	1294762	NA	2164211	NA	2844583	NA	3092398	NA	3261069	NA	152
Aircel	NA	NA	28798	NA	1119338	903357	2069914	1175693	2523574	1226795	NA	NA
Etisalat DB	NA	NA	NA	NA	NA	NA	549815	NA	759210	469909	NA	NA
others	-		-		-		-	2454988		2386549		
Total	**10483600**	**8937200**	**13257972**	**12350200**	**16955894**	**15962593**	**24112822**	**20643734**	**28178930**	**22559732**	**169**	**152**
Percentage of MTNL share to total Subscriber	**14.10**	**19.73**	**14.47**	**18.28**	**13.35**	**15.79**	**10.39**	**13.05**	**9.79**	**12.56**		

(Source: Cellular Operators Association of India Website)

Annexure-XXIV

(Referred to in paragraph 5.6.6.3)

Wire line Services- QoS Parameters

Sl. No.	Parameter	TRAI Benchmark	Performance of MTNL during the year									
			2007-08		2008-09		2009-10		2010-11		2011-12	
			Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai
1	Fault Incidence per 100 subscribers per month	<5	6.46	6.79	6.81	8.52	7.71	5.14	7.59	6.05	7.15	7.35
2	% of faults repaired by the next working day	>90%	90.34	89.95	93.10	92.79	79.53	93.68	79.80	93.28	83.77	89.18
3	% of faults repaired within 3 days	For urban areas =100%	NA	NA	NA	NA	83.08	97.35	89.00	97.51	92.06	95.23
4	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	83522	NA	93704	31687	167064	26950	189627	27370	89080	190129
5	Mean time to Repair (MTTR)	<=8hours	7	13.11	7.76	10.2	10.61	10.78	11.64	11.72	7.96	15.25
6	Call completion Rate	>=55%	49.13	53.93	50.42	56.33	52.48	58.53	53.13	57.30	54.91	56.99

(Source: Data provided by the Company)

Annexure-XXV

(Referred to in paragraph 5.6.6.3)

Comparison of performance in QoS between MTNL and Private Operators in wireline services

(Source: on the basis of TRAI Quarterly Report)

Delhi

Wire line Services - Year 2007-08

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	6.65	4.69	1.06	5.98
2	Percentage of faults repaired by the next working day	>90%	90.80	95.68	98.89	49.27
3	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	83522	5101	51	5120
4	Call completion Rate	>=55%	49.07	58.57	NA	64.71

Wire line Services - Year 2008-09

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	6.71	3.47	1.47	1.64
2	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	93704	6343	9	40
3	Mean time to Repair (MTTR)	<=8hours	7.75	6.75	4.35	8.43
4	Call completion Rate	>=55%	50.47	86.25	NA	94.33

Wire line Services Year 2009-10

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	7.71	3.41	0.84	0.86
2	Percentage of faults repaired by the next working day	>90%	83.04	95.74	99.82	95.68
3	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	167064	9296	12	37
4	Mean time to Repair (MTTR)	<=8hours	10.70	7.45	3	6.88
5	Call completion Rate	>=55%	52.53	96.65	NA	98.83
6	Percentage of faults repaired within 3 days	For urban areas >=100%	90.93	99.18	100	98.38

Wire line Services Year 2010-11

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	8.10	2.96	0.53	0.40
2	Percentage of faults repaired by the next working day	>90%	77.30	96.69	100	93.03
3	Percentage of faults repaired within 3 days	For urban areas >=100%	87.87	99.89	100	100
4	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	165923	4187	0	0
5	Mean time to Repair (MTTR)	<=8hours	12.88	6.78	2.31	6.32
6	Call completion Rate	>=55%	52.99	94.09	NA	98.98

Wire line Services Year 2011-12

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	7.82	0.97	0.30	0.62
2	% of faults repaired by the next working day	>90%	89	95.76	100	94.93
3	% of faults repaired within 3 days	For urban areas >=100%	95.23	100	100	100
4	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	36473	12455	NIL	NIL
5	Mean time to Repair (MTTR)	<=8hours	15.30	4.76	0.00	5.53
6	Call completion Rate	>=55%	57.00	92.41	NA	96.24

Annexure-XXVI

(Referred to in paragraph 5.6.6.3)

Comparison of performance in QoS between MTNL and Private Operators in wireline services Mumbai

Wire line Services Year 2007-08

(Source: on the basis of TRAI Quarterly Report)

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	9.33	2.09	0.47	2.69
2	% of faults repaired by the next working day	>90%	82.75	93.62	99.40	95.57
3	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	131061	108	12	476
4	Mean time to Repair (MTTR)	<=8hours	20.79	3.70	4.41	6.24
5	Additional Facility (95% of requests)	>24 hours	82.53	98.96	97.00	96.27

Wire line Services Year 2008-09

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	9.62	2.10	0.52	2.33
2	% of faults repaired by the next working day	>90%	89.10	98.00	97.29	96.20
3	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	75601	322	2.25	NA
4	Mean time to Repair (MTTR)	<=8hours	14.96	7.83	4.26	5.74

Wire line Services Year 2009-10

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	7.29	1.70	0.53	1.23
2	% of faults repaired by the next working day	>90%	89.53	95.26	99.79	96.78
3	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	47777	262	4.67	NA
4	Mean time to Repair (MTTR)	<=8hours	14.38	9.00	3.24	4.24
5	Answer to seizure ratio	>=75%	63.90	83.31	89.12	NA

Wire line Services Year 2010-11

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	8.51	1.41	0.30	0.70
2	% of faults repaired by the next working day	>90%	88.27	95.87	100	96.71
3	% of faults repaired within 3 days	For urban areas >=100%	94.85	99.65	100	100
4	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	47341	716	0	0
5	Mean time to Repair (MTTR)	<=8hours	16.45	5.22	2.29	5.15
6	Call completion Rate	>=55%	56.92	91.44	NA	81.34

Wireline Services Year 2011-12

Sl. No.	Parameter	Benchmark	Name of Operators			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	TTSL
1	Fault Incidence per 100 subscribers per month	<5	7.82	0.97	0.61	0.64
2	% of faults repaired by the next working day	>90%	88.99	95.76	100	94.93
3	% of faults repaired within 3 days	For urban areas >=100%	95.23	100	100	100
4	Rent Rebate (total no. of cases)	for faults pending >3 days to >15 days	NA	103	0	0
5	Mean time to Repair (MTTR)	<=8hours	15.30	4.76	1.54	5.53
6	Call completion Rate	>=55%	57	92.41	NA	96.58

Annexure-XXVII

(Referred to in paragraph 5.6.6.3)

Comparison of performance in QoS between MTNL and private operators in wireless services

Delhi Circle - Cellular Service

(Source: on the basis of TRAI Quarterly Report)

Wireless- Year 2007-08

	Parameter	Benchmark	Performance during the year			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	Vodafone
1	Call set up success rate (within licencees own network)	>=95%	92.31	98.81	99.51	99.02
2	Call drop rate	<3% <2% (from the year 2009-10)	1.86	0.80	0.50	0.81

Wireless- Year 2008-09

	Parameter	Benchmark	Performance during the year			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	Vodafone
1	Call set up success rate (within licencees own network)	>=95%	94.04	98.69	99.29	98.74
2	Service Access Delay (between 9 to 20 seconds depending upon number of paging attempts)	Average of 100 calls =<15 sec	10.01	7.51	5.21	7.58
3	Call drop rate	<3%	1.13	1.01	0.60	0.88

Wireless- Year 2009-10

	Parameter	Benchmark	Performance during the year			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	Vodafone
1	BTSs accumulated downtime (not available for service) (percentage)	<=2%	2.21	0.15	0.15	0.04
2	Worst affected BTS due to downtime BTS accumulated downtime	<=2%	7.68	0.51	0.34	0.00
3	Call set up success rate (within licencees own network)	>=95	96.46	99.10	98.62	99.49
4	Call drop rate	<2%	0.99	0.83	0.64	0.76
5	Percentage of Connections with good voice quality	>=95%	98.36	96.92	99.08	98.17
6	POI congestion (no. of POIs not meeting the Benchmark)	<=0.5%	3.00	0.00	0.00	0.00

Wireless- Year 2010-11

	Parameter	Benchmark	Performance during the year			
			MTNL (Delhi Unit)	Bharti / Airtel	Reliance	Vodafone
1	BTSs accumulated downtime (not available for service) (percentage)	<=2%	0.40	0.02	0.39	0.03
2	Worst affected BTS due to downtime BTS accumulated downtime	<=2%	3.67	0.01	0.72	0
3	Call set up success rate (within licencees own network)	>=95%	96.73	99.77	99.53	99.27
4	Call drop rate	<2%	1.33	0.61	0.49	1.0
5	Worst affected calls having more than 3% TCH drop (call drop rate) (percentage)	<=5%	4.62	0.82	0.78	3.38
6	Percentage of Connections with good voice quality	>=95%	98	99.09	98.40	98.19

Wireless- Year 2011-12

	Parameter	Benchmark	Performance during the year			
			MTNL (Delhi Unit)	Bharti/ Airtel	Reliance	Vodafone
1	BTSs accumulated downtime (not available for service) (percentage)	<=2%	0.28	0.01	0.27	0.03
2	Worst affected BTS due to downtime BTS accumulated downtime	<=2%	1.18	0.00	0.39	0.00
3	Call set up success rate (within licencees own network)	>=95%	97.52	99.62	99.74	99.66
4	Call drop rate	<2%	1.28	0.62	0.48	0.84
5	Worst affected calls having more than 3% TCH drop (call drop rate) (%)	<=5%	1.57	0.96	0.53	3.31
6	Percentage of Connections with good voice quality	>=95%	98.20	99	99.60	97.75

Annexure-XXVIII

(Referred to in paragraph 5.6.6.3)

Comparison of performance in QoS between MTNL and private operators in wireless services
Mumbai circle- Cellular Services

(Source: on the basis of TRAI Quarterly Report)

Wireless- Year 2007-08

	Parameter	Benchmark	Performance during the year			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	Vodafone
1	Call drop rate	<3% <2% (from the year 2009-10)	1.73	1.11	0.83	1.89
2	Percentage of connections with good voice quality	>95%	96.35	97.93	99.47	95.30

Wireless- Year 2008-09

	Parameter	Benchmark	Performance during the year			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	Vodafone
1	Call set up success rate (within licencees own network)	>=95%	95.66	98.69	99.29	98.74
2	Call drop rate	<3%	1.62	1.31	0.75	1.31
3	Percentage of calls having more than 3% TCH drop	<=3%	6.03	8.17	0.85	3.08
4	Percentage of connections with good voice quality	>95%	96.51	98.08	99.14	95.82

Wireless- Year 2009-10

	Parameter	Benchmark	Performance during the year			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	Vodafone
1	BTSs accumulated downtime (not available for service) (percentage)	<=2%	1.25	0.27	0.22	0.11
2	Worst affected BTS due to downtime BTS accumulated downtime	<=2%	1.91	0.95	0.26	0.29
3	Call set up success rate (within licencees own network)	>=95%	97.04	98.42	74.49	99.36
4	TCH congestion(percentage)	<=2%	1.67	0.42	0.25	0.28
5	Call drop rate	<2%	1.56	0.97	0.43	0.72
6	Worst affected calls having more than 3% TCH drop (call drop rate) (percentage)	<=5%	4.48	3.26	0.46	1.78
7	Percentage of Connections with good voice quality	>=95%	96.73	97.75	98.47	98.66
8	Percentage of call answer by operator within 60 seconds	>=90%	95	86.33	86.40	93.05

Wireless- Year 2010-11

	Parameter	Benchmark	Performance during the year			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	Vodafone
1	BTSs accumulated downtime (not available for service) (percentage)	<=2%	0.41	0.12	0.14	0.01
2	Worst affected BTS due to downtime BTS accumulated downtime	<=2%	0.60	0.67	0.13	0.00
3	Call set up success rate (within licencees own network)	>=95%	98.22	99.18	99.40	99.18
4	Worst affected calls having more than 3% TCH drop (call drop rate) (percentage)	<=5%	2.86	1.12	0.52	1.37
5	Percentage of Connections with good voice quality	>=95%	96.34	98.43	98.54	98.53

	Parameter	Benchmark	Performance during the year			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	Vodafone
6	Metering and billing credibility-Post Paid	<=0.1	0.17	0.06	0.07	0.02
7	Metering and billing credibility-Pre -Paid	<=0.1	0.07	0.01	0.03	0.02
8	Accessibility to call centre/customer centre	>=95%	99.91	100	92	100

Wireless- Year 2011-12

	Parameter	Benchmark	Performance during the year			
			MTNL (Mumbai Unit)	Bharti/ Airtel	Reliance	Vodafone
1	BTSs accumulated downtime (not available for service) (percentage)	<=2%	0.51	0.02	0.25	0.02
2	Worst affected BTS due to downtime BTS accumulated downtime	<=2%	0.94	0.11	0.46	0.06
3	Call set up success rate (within licencees own network)	>=95%	98.32	99.77	99.29	99.99
4	Call drop rate	<2%	0.80	0.72	0.90	0.56
5	Worst affected calls having more than 3% TCH drop (call drop rate) (percentage)	<=5%	2.02	0.36	0.24	1.88
6	Percentage of Connections with good voice quality	>95%	96.67	99.44	98.99	97.78
7	Accessibility to call centre/customer centre	>=95%	95.80	99.00	99.47	99.00
8	Time taken for refund of deposits after closure	100% within 60 days	73	100	100	100

Annexure-XXIX

(Referred to in paragraph 5.6.6.4)

Financial Parameters: Targets Vs Achievements of the company

Year	Criteria	Gross Margin/ Gross Block (in *per cent*)	Net Profit/ Net worth (in *per cent*)	Gross Profit/ Capital Employed (in *per cent*)	Gross Margin (₹ in crore)	Gross Sales (₹ in crore)
2007-08	**Targets**	6.56	3.73	4.5	1240	5494.83
	Achievement	8.45	4.96	7.22	1338.49	4722
	Grading	Excellent	Excellent	Excellent	Excellent	**Poor**
2008-09	**Targets**	6.26	2.83	4.64	1204.66	5400
	Achievement	5.92	1.77	2.3	963.79	4456
	Grading	Good	**Poor**	**Poor**	**Poor**	**Poor**
2009-10	**Targets**	6.31	1.96	3.09	1103.78	5250
	Achievement	-5.86	-27.63	-44.04	-1658.15	3656
	Grading	**Poor**	**Poor**	**Poor**	**Poor**	**Poor**
2010-11	**Targets**	5.81	1.89	3.03	1089	5250
	Achievement	-3.11	-42.16	-18.63	-912.66	3674
	Grading	**Poor**	**Poor**	**Poor**	**Poor**	**Poor**
2011-12	**Targets**	2.94	-15.63	-4.31	900	5300
	Achievement	-5.16	-162.01	-32.46	-1599.40	3624.41
	Grading	**Poor**	**Poor**	**Poor**	**Poor**	**Poor**

(Source: Memorandum of Understanding between Govt. of India and MTNL)

Annexure-XXX

(Referred to in paragraph 5.6.6.4)

Dynamic Parameters: Targets Vs Achievements of the company

Criteria	2007-08			2008-09			2009-10			2010-11			2011-12		
	Target	Achievement	Grading as per MOU	Target	Achievement	Grading as per MOU	Target	Achievement	Grading as per MOU	Target	Achievement	Grading as per MOU	Target	Achievement	Grading as per MOU
Fault Rate per 100 phones/month	9.50	7.89	Excellent	8	6.71	Excellent	8	7.71	Excellent	7.50 DL 6.00- Mum	7.59 DL 8.49-Mum	Good Poor	NA	NA	NA
Clearance of fault Same day	80.00	70.35	Poor	82	73.2	Fair	82	68.33	Poor	83	65.25	Poor	NA	NA	NA
Clearance of fault Next day	95.00	88.21	Fair	95	90.75	Good	95	86.33	Fair	96	83.36	Fair	96	88.20	Good
Market share in cellular subscribers	18.00	16.69	Fair	18	16.38	Fair	18	14.53	Poor	18	11.62	Poor	14	11.02	Poor
Ratio of MTNL ARPU vis-à-vis private sector ARPU cellular services	71.00	62.00	Fair	72	56	Poor	72	48.08	Poor	60	40.62	Poor	NA	NA	NA

(Source : Data provided by the Company)

Annexure-XXXI

(Referred to in paragraph 5.6.6.4)

Physical Parameters: Targets Vs Achievements of the company

(in thousands)

	Particulars of Parameters	Increase in Total Subscriber base	Total Subscriber base of broadband service	Addition of net Switching Capacity including Fixed, CDMA & GSM etc
2007-08	**Target**	1160	NA	2000
	Actual	678.78	NA	767.34
	Excess	-481.22	NA	-1232.66
	Excess in %	-41%	NA	-62%
2008-09	**Target**	950	NA	1000
	Actual	970.78	NA	1000
	Excess	20.78	NA	0
	Excess in %	2%	NA	0%
2009-10	**Target**	1000	NA	1000
	Actual	655.38	NA	1070
	Excess	-344.62	NA	70
	Excess in %	-34%	NA	7%
2010-11	**Target**	NA	2000	1000
	Actual	NA	1514.84	952.36
	Excess	NA	-485.18	47.64
	Excess in %	NA	-24%	-5%
2011-12	**Target**	300*	NA	1000
	Actual	97.874	NA	0
	Excess	-202.13	NA	-1000
	Excess in %	-67%	NA	-100%

(Source: Data provided by the Company)

It is only addition of Broadband subscribers linked with Fixed line subscribers

Annexure-XXXII

(Referred to in paragraph 5.6.6.5)

WIRELINE SERVICES

Income, subscriber base, ARPU of wireline services pertaining to Delhi and Mumbai units (MTNL)

Year	Delhi			Mumbai		
	Income (₹ In crore)	Subscriber base (in lakh)	ARPU/ month (in ₹)	Income (₹ In crore)	Subscriber base (in lakh)	ARPU/ month (in ₹)
2007-08	1545.62	15.79	815.95	2450.30	19.26	1060.26
2008-09	1386.26	15.51	744.60	2306.01	17.92	1072.39
2009-10	1169.68	15.32	636.36	1833.92	16.96	901.05
2010-11	1419.34	15.42	767.07	1687.73	16.43	855.80
2011-12	1050.49	15.63	560.07	1617.81	16.04	840.25

(Source: Audited Accounts of the company and data provided by the Company)

WIRELESS SERVICES

Income, subscriber base, ARPU of wireless services pertaining to Delhi and Mumbai units (MTNL)

Year	Delhi			Mumbai		
	Income (₹ In crore)	Subscriber base (in Lakh)	ARPU/ Month (in ₹)	Income (₹ In crore)	Subscriber base (in Lakh	ARPU/ Month (in ₹)
2007-08	393.00	14.78	221.52	489.19	17.63	231.18
2008-09	427.35	19.18	185.63	419.76	22.58	154.91
2009-10	400.74	22.64	147.53	315.17	25.21	104.19
2010-11	391.17	25.06	130.08	254.02	26.93	78.59
2011-12	467.34	28.86	134.94	263.68	29.46	74.59

(Source: Audited Accounts of the company and data provided by the Company)

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 2011-12 as of September 2013.

Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Bharat Sanchar Nigam Limited			
6 of 2000	2	Nil	2
6 of 2001	2	Nil	2
3 of 2002	1	Nil	1
6 of 2002	1	Nil	1
5 of 2003	6	Nil	6
5 of 2004	2	Nil	2
5 of 2005	3	Nil	3
9 of 2006 (PA)	1	Nil	1
13 of 2006	8	2	6
12 of 2007	10	Nil	10
12 of 2008 (CA)	10	2	8
9 of 2008 PA, (Telecom)	1	Nil	1
10 of 2008 (CA)	1	Nil	1
25 of 2009 (CA)	10	1	9
PA-27 of 2009-10	1	Nil	1
9 of 2009 -10	3	Nil	3
PA- 10 of 2010-11	2	Nil	2
CA 3 of 2011-12	8	2	6
Total	**72**	**7**	**65**
Mahanagar Telephone Nigam Limited			
3 of 1997	1	Nil	1
3 of 1999	1	Nil	1
5 of 2003	1	Nil	1
5 of 2004	3	1	2

Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
5 of 2005	1	Nil	1
13 of 2006	2	Nil	2
10 of 2007(PA)	1	Nil	1
12 of 2007	3	Nil	3
12 of 2008 (CA)	2	2	Nil
25 of 2009 (CA)	3	Nil	3
9 of 2009-10	2	1	1
Total	**20**	**4**	**16**
Grand Total	**92**	**11**	**81**

Appendix – II

Summarised position of Action Taken Notes awaited from Departments under Ministry of Communications & Information Technology (MoC&IT) up to the Audit Reports 2011-12 as of September 2013.

Sl. No.	Name of Department	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
1	DoP	1 of 2008 (CA)	1	Nil	1
2	DoP	14 of 2009 (CA)	1	Nil	1
	Total		**2**		**2**
1	DoT	6 of 1998	1	Nil	1
2	DoT	2 of 2004	2	Nil	2
3	DoT	2 of 2005	1	Nil	1
4	DoT	9 of 2006 (NTR)	1	Nil	1
5	DoT	1 of 2008 (CA)	1	Nil	1
6	DoT	19 of 2010-11	1	Nil	1
	Total		**7**		**7**
1	DeitY	5 of 2002	1	Nil	1
2	DeitY	5 of 2004	2	Nil	2
3	DeitY	12 of 2006	1	Nil	1
	Total		**4**		**4**
	Grand Total		**13**		**13**