सत्यमेव जयते

Report of the Comptroller and Auditor General of India for the year ended March 2014

भारतीय लेखा एवं लेखा परीक्षा विभाग ✦ INDIAN AUDIT AND ACCOUNTS DEPARTMENT

सत्यमेव जयते

Union Government (Communications and IT Sector)

No. 55 of 2015

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Comptroller and Auditor General
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PREFACE

This Report for the year ended March 2014 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 the Ministry of Communications and Information Technology. The instances mentioned in this Report are those, which came to notice during the course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports.

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

OVERVIEW

This Report contains significant audit findings which arose from the compliance audit of the Ministry of Communications and Information Technology. It contains six chapters. **Chapter I** gives a brief introduction of the Ministry of Communication and Information Technology while **Chapters II to V** relate to present findings/observations arising out of the 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.

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

Chapter- II Department of Telecommunications (DoT)

Set-off of non-refundable one-time entry fee

Set-off of the non-refundable entry fee of ₹ 5,476.30 crore, paid by licensees in 2008 whose licenses were declared illegal and quashed by the Hon'ble Supreme Court, against the auction price payable for spectrum in 1800 MHz / 800 MHz held in November 2012 / March 2013 deprived the Government of the revenue to that extent.

Paragraph 2.1

Loss of revenue due to non-auctioning of spectrum in 3.3-3.4 GHz band

The continued allocation / extension of spectrum in 3.3 GHz band, year after year, to the operators, administratively, free of cost resulted in significant loss to public exchequer by way of non-realisation of the one-time charges which the Government would have realized had they auctioned the spectrum. This was despite the recommendation of TRAI to auction the spectrum in 3.3-3.4 GHz and also violated the intent and spirit of the Hon'ble Supreme Court judgment.

Paragraph 2.2

Irregular expenditure on opening of Regional Offices by TRAI

Telecom Regulatory Authority of India (TRAI), ignoring directions of the Central Government, opinion of its own Legal Division and Ministry of Law, Justice and Company Affairs opened Regional Offices across the country and incurred an expenditure of ₹ 14.12 crore till March 2014. The expenditure will be incurred in future also till the ROs are functioning

Paragraph 2.3

Chapter- III Department of Posts

Excess payment of service tax due to non-availing of CENVAT Credit

The CENVAT Credit Rules introduced in September 2004 allowed a manufacturer or provider of a taxable service to take credit of duty/service tax paid on input services used in or in relation to the manufacture of specified final products/output services. The CENVAT credit so available could be utilised for payment of any duty of excise on any product or service tax on output services.

The Director PLI Kolkata and CPMsG West Bengal, Maharashtra, Rajasthan and Delhi failed to avail eligible CENVAT credit during the period 2010-11 to 2013-14 which resulted in avoidable payment of service tax and education cess to the extent of ₹ 7.52 crore.

Paragraph 3.1

Unfruitful expenditure on procurement of barcoded bag labels

In order to capture bag level data electronically, DoP decided in June 2012 to introduce bar coded bag labels for unregistered first class mail bags. All the postal circles were instructed to place orders for these bag labels commensurate with their requirements. Procurement of bar coded bag labels without developing the requisite software resulted in imprudent expenditure of ₹ 1.71 crore besides non-achievement of intended objective.

Paragraph 3.2

Chapter- IV Department of Electronics and Information Technology

Deficiencies in Contract Management, Web hosting and Application Development by National Informatics Centre

Expenditure incurred on the base mapping of the data for Computer Aided Digital mapping project at a cost of ₹ 14.25 crore remained unfruitful due to improper planning. Lack of proper monitoring and delays at various stages resulted in hardware and software worth ₹ 12.10 crore becoming obsolete. NIC also incurred wasteful expenditure of ₹ 3.74 crore on rent and maintenance charges apart from idle investment of ₹ 35.20 crore on procurement of the hardware and software which remain unutilised in National Population Project.

Further, NIC failed to forfeit the bank guarantee worth ₹ 2 crore on failure of the vendor to execute the work under e -Court Project due to lack of co-ordination among the concerned user groups. NIC also failed to take advantage of the declining rates by not floating the tenders in time for providing internet bandwidth to NICNET resulting in extra expenditure of ₹ 15.00 crore.

NIC had hosted 3158 websites without security audit. There were many deficiencies in development of websites and web applications of various projects.

Paragraph 4.1

Abnormal delay in construction of building at Pune and in taking up of construction of office building at Jasola, New Delhi by C-DAC

Defective planning and imprudent decision by C-DAC Pune not only resulted in delay of more than six years in completion of building, but also led to escalation of cost by ₹ 66.39 crore and blocking up of funds of ₹ 47.62 crore.

In addition, C-DAC Delhi, took possession of a plot in September 2001 by paying ₹ 1.52 crore to Delhi Development Authority. However, no work was commenced on the plot even after 14 years from the date of possession and a payment of ₹ 6.08 crore had also been made to DDA for seeking extensions from time to time.

Paragraph 4.2

Avoidable extra expenditure of ₹ 4.78 crore due to failure to avail concessional electricity tariff by C-DAC Pune

Failure of C-DAC management to take steps to avail the eligible concessional electrical tariff as per Maharashtra IT / ITES policy 2009 resulted in avoidable expenditure of ₹ 4.78 crore towards electricity charges during the period 2010-11 to 2014-15 (upto September 2014) with further recurring impact in the future.

Paragraph 4.4

Deficiencies in regulation of personnel and establishment matters

Violation of various provisions of own Staff Rules based on Government of India rules approved by its Governing Council and GFRs and FR&SR by C-DAC Pune resulted in excess / irregular / avoidable payment towards lease accommodation, gratuity, honorarium, etc.

Paragraph 4.5

Avoidable and unfruitful rental expenditure due to abnormal delay in completing the interior furnishing work for hired accommodation

ERNET could not utilize the hired space even after more than four years from the date of signing of the lease agreement. This omission on the part of ERNET resulted in unfruitful and avoidable expenditure of ₹ 7.17 crore.

Paragraph 4.6

Chapter- V Public Sector Undertakings under the Ministry

CDR Based Convergent Billing and Customer Care System in BSNL

BSNL implemented the CDR based billing and customer care solution to face new challenges and stop the revenue leakage points. Defective planning by BSNL led to avoidable expenditure of ₹ 8.80 crore on procurement of Magnetic Tape Emulators, partial implementation of

Revenue Assurance and Fraud Management systems and non billing/delays in billing of IPDRs.

Paragraph 5.1

Non disconnection of leased services despite non payment

A leased circuit is a dedicated link provided between two fixed locations for exclusive use by a customer. As per Indian Telegraph Rule initially one year advance rental and installation charges to be recovered through Demands Notes and for subsequent year annual advance rental is claimed. Continuation of leased lines and circuits provided by BSNL despite non-payment of dues for more than three years from Private/Government organizations resulted in accumulation of arrears of ₹ 223.99 crore in six Telecom Circle and one Telecom region.

Paragraph 5.2

Avoidable payment of penalty

BSNL failed to provide uninterrupted mobile services due to improper maintenance of infrastructure sites in Madhya Pradesh Circle which resulted in payment of penalty to DoT to the extent of ₹ 22.27 crore.

Paragraph 5.3

Undue Service Tax liability on Sale of ITC

BSNL failed to monitor India Telephone Cards which were meant for sale in Jammu and Kashmir only. This resulted in loss on account of service tax and penalty thereon amounting to ₹ 5.40 crore besides engaging in avoidable litigation.

Paragraph 5.4

Irregular Payment of Project Incentive, Transport Allowance, House Rent Allowance and LTC by National Informatics Centre Services Inc to its staff

National Informatics Centre Services Inc (NICSI), a non-profit Section 25 company under National Informatics Centre paid Project incentive of ₹ 2.11 crore, Transport Allowance of ₹ 48.87 lakh, House Rent Allowance of ₹ 16.58 lakh and reimbursement of LTC of ₹ 1.90 crore to its officers who were on deputation from National Informatics Centre during 2010-11 to 2013-14 in contravention of the Ministry of Finance / Department of Personnel & Training / Department of Public Enterprises Guidelines.

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 2014.

This Chapter provides profile of the Departments and concerned entities along with planning and extent of audit followed by a brief analysis of the expenditure of the departments under the Ministry of Communications and Information Technology (MoC&IT). **Chapters II to V** relate to present findings/observations arising out of the compliance audit of Department of Telecommunications (DoT), Department of Posts (DoP), Department of Electronics and Information Technology (DeitY) and Public Sector Undertakings (PSUs) under the Ministry.

1.2 Authority for Audit

The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Section 13[1] and 17[2] of the C&AG's (DPC) Act[3] and audit of PSUs is covered under Section 19 of the Act.

1.3 Planning and conduct of Audit

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

1.4 Profile of Audited Entities

1.4.1 Department of Telecommunications (DoT)

The Department of Telecommunications (DoT) is responsible[4] for policy formulation, performance review, monitoring, international cooperation and research & development

1 Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts
2 Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State
3 Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971
4 Annual Report of DoT for the year 2014-15

in telecommunication sector. The Department also allocates frequency and manages radio communications in close coordination with the International bodies. It is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country. The department is also responsible for grant of licenses to operators for providing telecommunication services in various cities and telecom circles.

➢ Analysis of Expenditure

The comparative position of expenditure of the DoT during 2013-14 and in the preceding four years is given in Table-1 below:

Table-1
Revenue and Expenditure of DoT

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue	15879.49	120547.63	17400.92	18902.00	40113.76
Expenditure	11127.30	10370.26	8692.16	9273.38	10835.57

(Source: Appropriation and Finance Accounts of DoT)

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

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

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
License Fee	9778.52	10286.43	11790.93	11456.48	14628.47
Spectrum Usage Charges	3809.54	3432.47	5192.30	5679.19	6883.67
Auction Revenue	–	106264.73	–	1722.24	18267.18

(Source: Annual Report of DoT for the year 2014-15)

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

➢ Brief Profile of the Telecom Sector

Telecommunications has evolved as one of the critical components of economic growth required for the overall socio economic development of the country. The telecom sector witnessed a phenomenal growth during the past decade. During the period 2009-10 to 2013-14, the number of telephone subscribers increased from 621.28 million to 933 million. The status of overall growth for the year 2009-10 to 2013-14 in Telecom Sector is given below in Table-3.

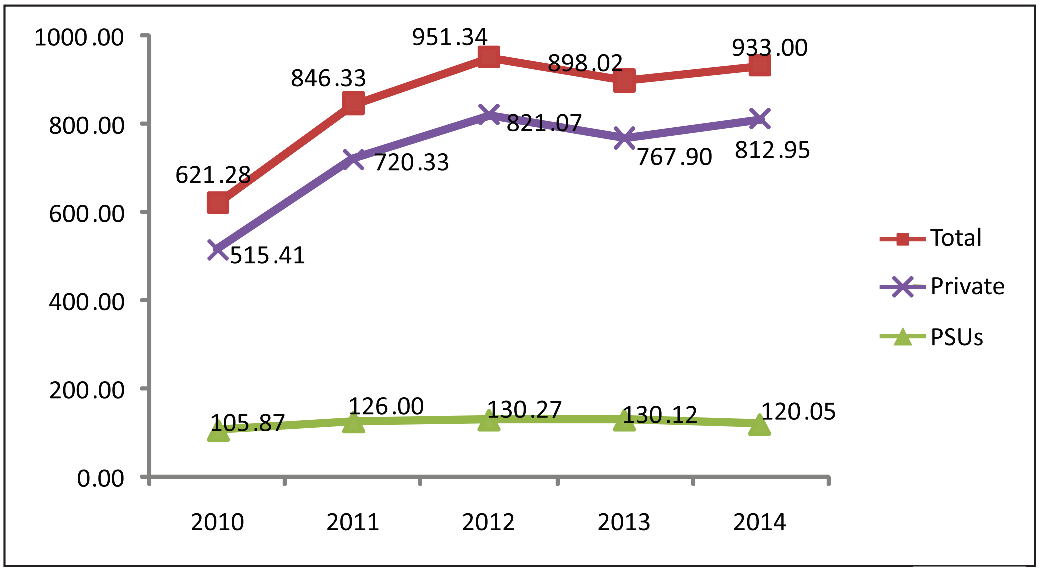
Table-3
Status of Growth in Telecom Sector

Year	Subscribers (In Millions)					Teledensity (In percentage)		
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban
2009-10	621.28	200.81	420.47	36.96	584.32	52.74	24.29	119.73
2010-11	846.32	282.24	564.08	34.73	811.59	70.89	33.79	157.32
2011-12	951.34	330.82	620.52	32.17	919.17	78.66	39.22	169.55
2012-13	898.02	349.22	548.80	30.21	867.81	73.32	41.02	146.96
2013-14	933.00	377.74	555.26	28.49	904.51	75.23	43.96	145.78

(Source: TRAI Annual Reports 2009-10 to 2013-14)

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

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



(Source: TRAI Annual Reports)

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

➢ Regulatory Framework of the sector

Telecom Regulatory Authority of India (TRAI)

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

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

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

Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT)

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

➢ Important DoT Units

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

➢ Universal Service Obligation Fund (USOF)

To give impetus to rural telephony, Government of India formed a Universal Service Obligation Fund (USOF) by an Act of Parliament w.e.f. 01 April 2002. The resources for meeting the USO were to be raised through a Universal Access levy (UAL) which is a percentage of revenue earned by all operators under various licences. As per Para 9B of the Indian Telegraph Act, 2003, the sums of money received towards USOF shall be first credited to Consolidated Fund of India, and the Central Government may, if the Parliament appropriation by law on this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting Universal Service Obligation. Accordingly, by 31 March 2014, an amount for ₹ 58,579.35 crore has been collected by Department of Telecommunication (DoT) as USO levy and credited to Consolidated Fund of India. Out of this amount, only ₹ 24,896.49 crore has been received by DoT through appropriation by Parliament and credited to USO Fund as of 31 March 2014. This includes ₹ 6,948.64 crore adjusted in 2008-09 on account of reimbursement to BSNL during the years 2002-06 towards License Fee and Spectrum Charges for fulfilling rural obligation under USOF.

1.4.2 Department of Posts (DoP)

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

Financial Performance

The revenue receipts and revenue expenditure of DoP for the years 2009-10 to 2013-14 is shown in the Table-4 below:

Table-4
Revenue receipts and Revenue expenditure of DoP

(₹ in crore)

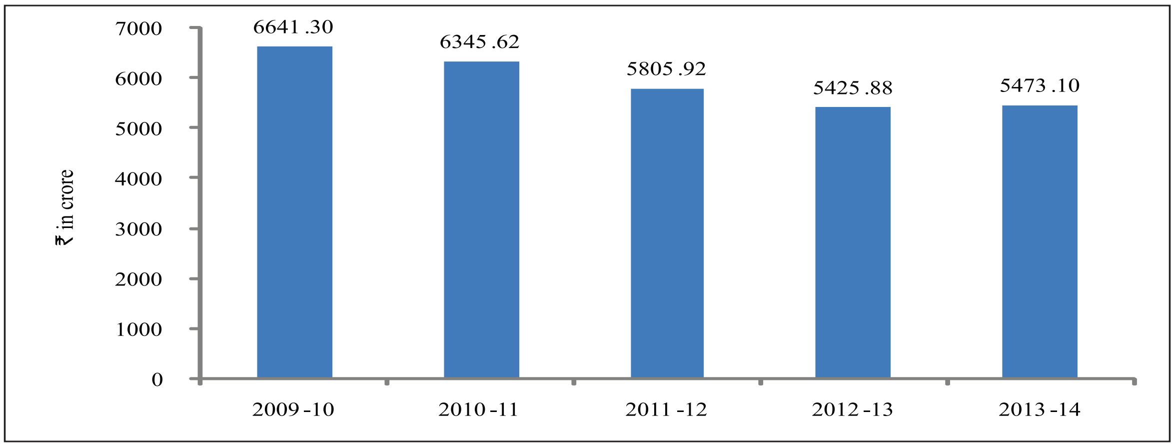
Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2009-10	6266.70	438.94	13346.94	6641.30
2010-11	6962.33	485.72	13793.67	6345.62
2011-12	7899.35	458.64	14163.91	5805.92
2012-13	9366.50	688.77	15481.15	5425.88
2013-14	10730.42	593.19	16796.71	5473.10

(Source: Appropriation Accounts of DoP for the years 2009-10 to 2013-14)

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

There was a deficit of ₹ 5,473.10 crore on postal services[5] in 2013-14. The main reasons for the deficit as attributed by the Department was increase in Working Expenses due to leave encashment on LTC, MACP, normal increase in Pay, DA increase, outsourcing and pensionary charges etc. The comparative position of deficit in postal services during the period 2009-10 to 2013-14 is as under:

Deficit in Postal Services



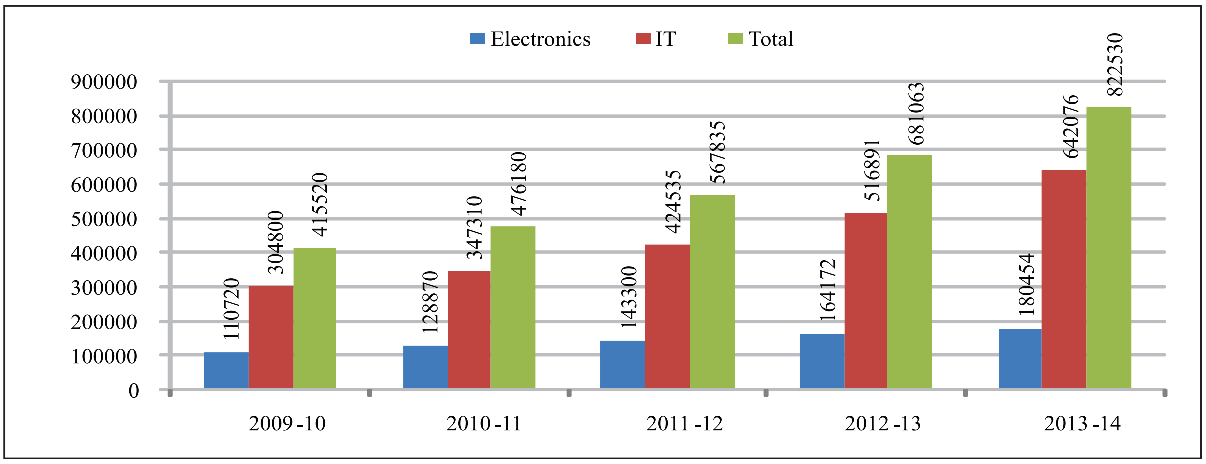
1.4.3 Department of Electronics and Information Technology (DeitY)

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 Indian IT industry has been contributing substantially to India's GDP, exports and employment. Production and growth profile of the Indian Electronics and IT- ITeS (Information Technology Enabled Services) industry since 2009-10 to 2013-14 is given in the chart below:

Electronics and IT production

(₹ in crore)



(Source: Annual Reports of DeitY)

5 Deficit was calculated as the difference between revenue receipts & recoveries and revenue expenditure, i.e., {(₹ 10730.42+ ₹ 593.19) - ₹ 16796.71}

Main reason for sustained overall growth of the Electronics and IT-ITeS industry as considered by the department is relatively higher growth in software and services which are largely export driven and also dominate the electronics and IT sector. The total production of this industry is envisaged to be ₹ 9,33,550 crore during 2014-15 by the department of which production of Electronics hardware and IT-ITeS are estimated at ₹ 1,90,366 crore and ₹ 7,43,184 crore respectively.

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 2009-10 to 2013-14 is given in the Table-5.

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

(₹ in crore)

Year	Amount of Grant	Total Expenditure
2009-10	2582	1697
2010-11	3719	3129
2011-12	3048	2074
2012-13	3051	1903
2013-14	3052	2166
Total	15452	10969

(Source: Appropriation Accounts of DeitY for the year 2009-10 to 2013-14)

There are five organizations[6] and seven Autonomous Societies[7] under DeitY in addition to two attached offices viz. Standardisation, Testing and Quality Certification Directorate (STQC) and National Informatics Centre (NIC).

Standardisation, Testing and Quality Certification Directorate (STQC)

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

National Informatics Centre (NIC)

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

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

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

(a) Centrally sponsored schemes and Central Sector schemes, (b) State sector and State sponsored projects, and (c) District Administration sponsored projects.

1.5 Budget and Expenditure Controls

A summary of Appropriation Accounts for 2013-14 in respect of DoT, DoP and DeitY is given in subsequent Table-6:

Table-6
Details of grants (voted and charged) received and expenditure incurred for the three Departments under Ministry of Communications & Information Technology

(₹ in crore)

Sl. No.	Ministry/Department	Grant/Appropriation (including supplementary grant)	Total Expenditure	(-) Savings/ (+) Excess
1.	Department of Electronics and Information Technology	3052.00	2166.27	(-) 885.73
2.	Department of Posts	17310.37	17065.68	(-) 244.69
3.	Department of Telecommunications	15139.44	10835.57	(-) 4303.87

(Source: Appropriation Accounts of the Departments for 2013-14)

CHAPTER-II
DEPARTMENT OF TELECOMMUNICATIONS

2.1 Set-off of non-refundable one-time entry fee

Set-off of non-refundable one–time entry fee of ₹ 5476.30 crore paid by the Unitech group of companies, M/s. Videocon Telecommunication Limited (VTL), M/s. Idea Cellular Limited (ICL) and M/s. Sistema Shyam Teleservices Ltd (SSTL) to obtain UAS licenses in January 2008, which were declared illegal and quashed by the Hon'ble Supreme Court of India in February 2012, against the auction price payable for spectrum in 1800 MHz/800 MHz held in November 2012 / March 2013 deprived the Government of the revenue to that extent.

Hon'ble Supreme Court in February 2012 held that "the exercise undertaken by the officers of the DoT between September 2007 and March 2008 under the leadership of the then Minister of Communication & Information Technology was wholly arbitrary, capricious and contrary to public interest. The material produced before the Court shows that the then MoC&IT wanted to favour some companies at the cost of the Public Exchequer". It was directed by the Court that "the licenses granted to the private respondents on or after 10 January 2008 pursuant to two press releases issued on 10 January 2008 and subsequent allocation of spectrum to the licensees are declared illegal and quashed".

Consequent to the judgment of Hon'ble Supreme Court, 122 UAS licenses granted to nine Telecom Service Providers[1] (TSPs), which includes 22 licenses of Unitech group, 21 licenses of M/s Videocon Telecommunication Limited (VTL), nine licenses of M/s Idea Cellular Ltd (ICL) and 21 licenses of M/s Sistema Shyam Teleservices Ltd (SSTL) during 2008 and subsequent allocation of spectrum to the licensees were declared illegal and quashed.

Hon'ble Supreme Court also levied cost on six Respondents stating that "Respondent Nos[2] 2, 3 and 9 who have been benefited at the cost of Public Exchequer by a wholly arbitrary and unconstitutional action taken by the DoT for grant of UAS Licences and allocation of spectrum in 2G band and who offloaded their stakes for many thousand crores in the name of fresh infusion of equity or transfer of equity shall pay cost of ₹ 5 crore each. Respondent Nos[3] 4, 6, 7 and 10 shall pay cost of ₹ 50 lakh each because they too had been benefited by the wholly arbitrary and unconstitutional exercise undertaken by the DoT for grant of

1 M/s Allianz Infratech (P) Ltd, M/s Etisalat DB Telecom Pvt Ltd, M/s Idea Cellular Ltd, M/s Loop Telecom Ltd, M/s S Tel Pvt. Ltd, M/s Sistema Shyam TeleServices Ltd, M/s Tata Teleservices Ltd, M/s Unitech Wireless Pvt. Ltd, M/s Videocon Telecommunications Ltd

2 M/s Etisalat DB Telecom Private Ltd, M/s Unitech wireless group & M/s Tata Teleservices Ltd

3 M/s Loop Telecom Pvt Ltd, M/s S Tel Ltd, M/s Allianz Infratech (P) Ltd & M/s Sistema Shyam Tele Services Ltd

UAS Licences and allocation of spectrum in 2G band." Hon'ble Supreme Court had further directed that TRAI shall make fresh recommendations for allocation of 2G spectrum in 22 service areas by auction, as was done for allocation of 3G spectrum. They also directed that "the Central Government shall consider the recommendations of TRAI and take appropriate decision within next one month and fresh licenses be granted by auction."

Accordingly, DoT sought recommendations of the TRAI and based on their recommendations (April 2012), a Notice Inviting Applications (NIA) was issued on 28 September 2012 for auction of spectrum in 1800 MHz and 800 MHz bands. Clause 3.2 (i) of the NIA stipulated that the companies / licensees whose licenses were slated to be quashed as per the directions of the Supreme Court would be treated as 'New Entrant' and would be required to fulfil the conditions stipulated both for bidding and for obtaining a Unified Licence (Access Service) as per the DoT guidelines. DoT in Queries and Responses issued on 18 September 2012, in connection with the proposed allocation of spectrum in the 1800 MHz and 800 MHz bands by auction had indicated that the entry fee paid by the Licensees whose licenses were cancelled by the Hon'ble Supreme Court would not be adjusted against auction payment due.

Audit observed that, one of the quashed licensee (M/s VTL) submitted representation (05 October 2012) to DoT for adjustment of one-time entry fee paid by them in 2008 against auction price as they claimed that their license was cancelled for no fault of theirs. Based on the request of the licensee, a note for Empowered Group of Ministers (EGoM) meeting was prepared by DoT on 06 October 2012 and was placed before EGoM meeting held on 08 October 2012. The minutes of the meeting were circulated on 10 October 2012, wherein it was conveyed that "the EGoM, however, on the principle of equal restitution, recommended that only a set-off may be allowed against the Earnest Money Deposit (EMD) and the payment due in the event of spectrum being won in this auction. The total amount of such set-off shall be limited to the total entry fee paid by the entity for all its licenses which have been quashed by the Supreme Court. No interest will be due on this amount."

Further, DoT clarified (12 October 2012) in the Queries and Responses to NIA that if the license was quashed by the Hon'ble Supreme Court for no reason attributable to a licensee, a set-off would be allowed on the principle of equal restitution against the EMD and payment due in the event of spectrum being won in the proposed auction. It was however found that as per the letter dated 12 October 2012 of Minister of Information and Broadcasting (one of the members of the EGoM), no final decision was taken in this regard in the meeting of 08 October 2012. The aforesaid issue was again deliberated and finally approved in the EGoM meeting of 18 October 2012.

Scrutiny of records of DoT during March-April 2013 pertaining to auction of 2G spectrum in 1800 MHz / 800 MHz band held in November 2012 / March 2013 revealed that five bidders (M/s VTL, M/s ICL, M/s TCSPL, M/s Bharti Airtel and M/s Vodafone) participated in the auction for spectrum in 1800 MHz held in November 2012 and one bidder (M/s SSTL) participated in the auction for spectrum in 800 MHz held in March 2013. Of these six bidders, three bidders – M/s VTL (21 Licenses), M/s ICL (9 licenses) and SSTL (21 Licenses) were those TSPs whose licenses were cancelled by Hon'ble Supreme Court. While M/s Bharti Airtel and M/s Vodafone were existing operators, M/s Telewings Communications Services Pvt Ltd (TCSPL) was a new entrant.

It was seen in audit that M/s VTL, M/s ICL, M/s TCSPL[4] and M/s SSTL were allowed set-off of entry fee of ₹ 5476.30 crore[5] against the auction fee payable in November 2012 / March 2013. Audit has following observations:

- The entry fee paid by the licensees was one-time entry fee and was non-refundable as per terms and conditions of UAS licence. Further, the Attorney General of India in his response to the legal opinion sought by DoT's query "Whether entry fee paid by licensees needs to be refunded as demands are being made by the licensees?", stated (August 2012) that the question of refund of entry fee paid by the licensees does not arise at this stage.
- NIA stipulated that the companies/licensees whose licenses were slated to be quashed as per the directions of the Supreme Court would be treated as 'New Entrant'. This meant that they had to deposit the full auction fee without any linkage to entry fee paid for their quashed licences.
- Further the Hon'ble Supreme Court had not made any distinction amongst the licensees while quashing the 122 licenses of the nine operators. But DoT on the plea of the operators that their licenses were cancelled for no fault of theirs, created two categories of quashed licensees-licensees whose licenses were cancelled due to their fault and licensees whose licenses were quashed without their fault and allowed set-off on the principle of equal restitution.
- DoT also did not do any due-diligence to ascertain whether the conduct of these companies was actually flawless and there were no reasons attributable to them for cancellation of their licenses. Audit scrutiny revealed that requests for set-off of quashed licensees were accepted without any verification of the grounds submitted by them especially when the licences had been cancelled on the directions of the Hon'ble Supreme Court.

4 M/s TCSPL was a Company incorporated in India, by Telenor in February 2012 after the Hon'ble Supreme Court Judgment. Earlier Telenor had acquired 67 *per cent* interest in Unitech group of Companies in 2008 whose licenses had also been quashed.

5 M/s Videocon – ₹ 1506.82 crore, M/s Idea – ₹ 684.59 crore, M/s TCSPL – ₹ 1658.57 crore and M/s SSTL – ₹ 1626.32 crore.

- ✓ It was also pointed out by the Comptroller and Auditor General of India in his Performance Audit Report No.19 of 2010-11, that VTL and Unitech were ab-initio ineligible to obtain the UAS licenses.
- ✓ As regards M/s. SSTL, the Attorney General in his legal opinion had stated[6] (August 2012) that SSTL was ineligible on the date of application as the Company did not have the requisite networth.

The note to EGoM prepared on 06 October 2012 did not include the above facts regarding VTL and SSTL.

- M/s. TCSPL requested (October 2012) DoT for allowing set-off of the one-time entry fee of ₹ 1658.57 crore paid by M/s. Unitech in 2008 for obtaining 22 UAS licences which was cancelled by the Hon'ble Supreme Court. On 23 February 2013, a decision had been taken by the DoT that no set-off of the non-refundable entry fee was permissible to TCSPL on the grounds that set-off would be permitted only to the quashed license holder participating in the auction and since M/s TCSPL was not a quashed license holder, set-off of entry fee paid by Unitech (quashed license holder) against the payment due from TCSPL (participating entity), was not as per approval of EGoM. On 05 March 2013, TCSPL again requested DoT that though they were separate entity, DoT should set-off the one-time entry fee paid by the Unitech group against the payment due from them. On the same date (i.e. on 05 March 2013) a note for the EGoM was prepared and the same was approved in the meeting of the EGoM held on 06 March 2013.
  - ➢ Audit observed that the 'supplementary note' to EGoM prepared on 05 March 2013 did not include the facts regarding suppression of vital information at the time of submission of their application, submission of false certificate and misrepresentation of facts, etc. by Unitech group though these were brought out by the C&AG in Report No. 19 of 2010-11 and also the decision taken by the DoT that no set-off of the non-refundable entry fee was permissible to TCSPL. Further, TCSPL was incorporated on 24 February 2012 only, well after the decision of Hon'ble Supreme Court of India (02 February 2012) on cancellation of UAS licenses.

On this being pointed out, the DoT replied (October 2013) that,

- ➢ The CAG cannot comment on and object to the matter of policy.

6 In connection with a complaint received from Centre for Public Interest Litigation & Ors in the form of IA No. 27 of 2011 in Civil Appeal No. 10660 of 2010 before the Hon'ble Supreme Court.

- As regards the criminal liability of the M/s Unitech Wireless, the matter is still pending before the various courts, without establishing the same there is no legal basis for taking civil action. Besides, in the operative part of its order, the Hon'ble Supreme Court did not make any such distinction between operators while allowing the operators to continue operations as well as to participate in the auction of spectrum process.

- Set-off allowed was not in the nature of refund of entry fee and not allowed to any of the quashed license holders that did not participate and win spectrum in auction.

- The decision to allow set-off was taken by the EGoM in the light of the various representations and submissions by the stakeholders and guided by the principle of equal restitution.

- Set-off was taken as full up-front payment and no set-off was allowed to be carried forward against future instalments.

- The request of the Telenor Group was not acceded to by the DoT in accordance with the then extant policy/guidelines on the issue and therefore it was decided by the competent authority to refer the matter to EGoM and the decision to allow set-off was an administrative decision taken by the EGoM on 06 March 2013.

- As regards the observations of the CAG in its Performance Audit Report No. 19 of 2010-11 regarding the "Issue of UAS license to ineligible applicant" show-cause notice was issued to VTL for termination of its 21 UAS licenses. The matter was examined in consultation with Ministry of Corporate Affairs and Ministry of Law & Justice from time to time and decision in the matter on the eligibility of company on date of application, is still pending.

- In March 2014, DoT while reiterating again its previous stand stated that the issues involved in the draft audit paras were referred to the EGoM in January 2014, which had since directed the DoT to apprise the facts and rationale of the decision of the Government to the C&AG. It further stated that the set-off was considered and allowed by the EGoM in view of the fact that entry fee paid by the TSPs was for a period of 20 years. While on one hand, the TSPs could be expected to have paid a pro-rata amount for the period of operation of the license (2008-12), on the other hand there could be a claim for refund with interest for the pro-rata amount for the balance period. DoT also stated once again that all these decisions involved issues of policy and legality, which were beyond the mandate of the audit.

The replies of the DoT are not acceptable as

- Audit has not questioned the policy of the Government per-se. Audit has commented on the incompleteness and inadequacy of information submitted to EGoM.

- Decision on Show-cause Notices issued by DoT to VTL and Unitech group relating to their eligibility as on date of submission of application for UAS licenses was pending with DoT at the time of submission of note to the EGoM for set-off. This fact was also not brought to the notice of EGoM by DoT in its note. Further, despite DoT's awareness regarding pendency of the matters pertaining to criminal liability of the M/s Unitech Wireless before the various courts, DoT neither brought it to the notice of EGoM in its note nor waited till finalization of these matters and allowed set-off of one time entry fee paid by M/s Unitech against the auction price payable by M/s TCSPL.

- Since TCSPL was a separate legal entity and a new company incorporated (24 February 2012) after the Hon'ble Supreme Court judgment (02 February 2012), it was not eligible for set-off against payment made by another legal entity. DoT had not initially allowed the proposal of set-off on this ground, but subsequently referred the request for set-off to EGoM, which was approved by EGoM on 06 March 2013.

- Since the one-time entry fee paid by the operators was non-refundable as per the license agreement, the question of the claim for refund with interest for the pro-rata amount for the balance period as stated by the DoT does not arise.

- Even the revenue of ₹ 7741.65 crore[7] earned by these companies from the quashed licences since 2008 was not considered by DoT while preparing the note for EGoM for set-off of non-refundable entry fee. In this way the licensees appear to have been rewarded for losing their licenses, as for the period of operation of the license (2008-12), no entry fee was levied on the licensees due to set-off allowed.

Thus, set-off of the non-refundable entry fee of ₹ 5476.30 crore, paid by licensees whose license was declared illegal and quashed by the Hon'ble Supreme Court, against the auction price payable for spectrum in 1800 MHz/800 MHz held in November 2012 / March 2013 was inappropriate and deprived the Government of the revenue to that extent.

7 M/s Unitech- ₹ 3859.89 crore + M/s SSTL- ₹ 1833.43 crore + M/s ICL- ₹ 1292.33 crore + M/s VTL- ₹ 756 crore =Total- ₹ 7741.65 crore

2.2 Loss of revenue due to non-auctioning of spectrum in 3.3-3.4 GHz band

Telecom Regulatory Authority of India (TRAI) recommended (2006) that the operators who have spectrum assignments in the 3.3-3.4 GHz band should be given a choice to migrate to circle based service area and the operators should pay an upfront one-time spectrum acquisition fee which would be at par with the auction price of BWA spectrum in 2.3 GHz band. Despite recommendation by TRAI in September 2006 and July 2008, DoT continued the extension/ allocation of BWA spectrum in 3.3 GHz band and had not auctioned spectrum in 3.3 GHz even after five years of the auction of the BWA spectrum in 2010. Non-auction of BWA spectrum in 3.3 GHz band resulted in loss of revenue to the Government.

In order to maintain the level playing field among all operators for BWA services, TRAI recommended (September 2006) that "the operators who have spectrum assignments in the 3.3-3.4 GHz band should be given a choice to migrate to circle based service area. In doing so, these operators will be required to accept a fresh set of conditions relating to rollout and annual spectrum charges, pay an upfront one-time spectrum acquisition fee, and begin operations at circle level".

TRAI in its recommendations (July 2008) on Allocation and Pricing for 2.3-2.4 GHz, 2.5-2.6 GHz & 3.3-3.6 GHz bands, reiterated that all the service providers having spectrum in 3.3-3.4 GHz band should be asked to immediately migrate to Circle level operation. Authority also felt that Spectrum in 3.3-3.6 GHz band can be better utilized to accelerate the growth of fixed broadband through encouragement of emerging wireless technologies specially in the rural areas which was the need of the hour and recommended that

- "In the 3.3 GHz band, there are already 6-7 service providers. These service providers are paying spectrum charges based on MCW[8] formula. As per WPC unit of DoT, 49+49 MHz spectrum has been allotted in 3.3-3.4 GHz band. However, after migration to circle level, there will be a number of service areas where spectrum shall be available for auctioning to the new entrants. For these service areas, the spectrum will be auctioned. In order to keep level playing field, the existing service providers shall also have to pay the highest bid price obtained during auction in these service areas".
- Further, it was mentioned that "the Authority had given its recommendation (September 2006) on spectrum allocation for BWA, with the idea that immediate deployment of broadband wireless networks using the spectrum in the 3.3-3.6

8 MCW – Microwave formula for determining the rates for microwave carriers allotted.

GHz band will give the required fillip to the aim of reducing the digital divide. However, more than 20 months have passed since these recommendations were given and they are yet to be implemented. In the meantime, technological advancement and increased focus on the BWA technologies had resulted in increase in potential use of this band for various applications including triple play[9]. This band has also been included in the mobile WiMAX certificate profiles for future testing (Band class 4 and 5)[10]. Therefore in future, both fixed and mobile broadband and other services will become available in the band. In view of the foregoing, the Authority now do not feel any justification to treat 3.3-3.4 GHz band differently from the 2.3 and 2.5 GHz band, as far as fixing a reserve price for the auction is concerned."

Scrutiny of records of the Department of Telecommunications revealed (November 2014) that:-

- DoT had allocated spectrum in the 3.3 GHz band to the service providers in metros and cities without charging any upfront one-time spectrum charges which were renewed annually.

- DoT issued (August 2008) guidelines to auction the spectrum in 2.5 GHz band and also deliberated that spectrum in 2.3–2.4 GHz and 3.3 -3.4 GHz band would be auctioned if and when they became available. Two PSUs (BSNL and MTNL) were administratively allocated spectrum in 2.5 GHz band in 2008 and were told that they will have to pay the auction discovered price for 2.3 GHz band. The spectrum in 2.3 GHz band was auctioned in 2010 for BWA services as per TRAI's recommendations. The PSUs paid the auction determined price for spectrum in 2.5 GHz band on the basis of the price for spectrum in 2.3 GHz band in June 2010. However, till date neither the service providers having spectrum in 3.3-3.4 GHz band were asked to migrate to Circle level operations, nor any action was taken for auction of spectrum in 3.3-3.4 GHz band and hence undue favour was extended to the service providers to whom this spectrum was allocated.

- Continued administrative allocation of spectrum in 3.3 GHz band year after year to commercial operators without charging one-time spectrum charges and without going in for auction despite recommendations of TRAI in 2006 and again in 2008 resulted in undue benefit to the service providers and loss to the public exchequer. Since there was no auction, Audit could not determine the exact loss to the public exchequer. However, based on the reserve price determined in 2010 for the BWA spectrum in 2.3 GHz band which was also recommended for 3.3 – 3.4 GHz by TRAI (2008), the loss due to non-auctioning

9 In telecom, triple play is one in which voice, video and data are all provided in single access subscription
10 Source "WiMAX Forum™ Mobile System Profile 4 Release 1.0 Approved Specification (Revision 1.2.2: 2006- 11-17)"

was ₹ 1014 crore[11] for the period from 01 September 2010 to 01 September 2015 as shown below:

Sl. No.	Name of the operator	When allotted	No. of SAs where the TSPs hold the 3.3 GHz spectrum	Spectrum allocated (in 3.3 GHz band)	No. of LSAs where operator acquired 20 Mhz BWA spectrum in 2 GHz band through auction	Proportionate cost of BWA for five years (₹ in crore)
1	Bharti Airtel (168 cities)	April 2005 to July 2009	22	2X6 MHz (in 165 cities) & 2 X 1.75 MHz (in 3 cities)	8	228.50
2	Aircel (80 cities)	October 2004 to April 2010	16	2X6 MHz	8	228.75
3	RCIL (12 cities)	October 2004 to February 2010	8	6 MHz	-	177.00
4	TCL (396 cities)	October 2004 to March 2008	22	6 MHz	-	131.25
5	Track Online (4 cities)	March 2004 to September 2005	4	2 X 1.75 MHz	-	28.00
6	Tulip (121 cities)	March 2008	19	2X6 MHz	-	220.50
Total						**1014.00**

(Details are indicated in Annexure-I to VI)

On this being pointed out by audit it was replied (April 2015) by DoT that-

- A committee was constituted under chairmanship of Wireless Adviser to examine the TRAI recommendations. As per the committee recommendations (June 2007), the 3.3-3.4 GHz band was not yet globally harmonized for BWA applications. Hence it was recommended that the allocation of BWA spectrum should start with 2.5 GHz band and thereafter, other service providers can be considered for alternate spectrum allotment in 2.3 GHz band, 3.3-3.4 GHz band and 3.4-3.6 GHz band(after compatibility is established). Based on the committee report, proposal for Telecom Commission was prepared and the same was approved by Telecom Commission on 29 June 2007.

- Guidelines for auction of spectrum was issued (August 2008) for including 2.3/2.5 GHz band and spectrum in 3.3-3.5 GHz was not considered for auction. NIA was published in February 2010 after due diligence and BWA spectrum in 2.3 GHz band was auctioned during 2010.

11 a. Loss was calculated on the basis of reserve price fixed for allocation of BWA spectrum (2.3 GHz) for which auction was conducted in the year 2010 since TRAI did not feel any justification to treat 3.3-3.4 GHz band differently from the 2.3 and 2.5 GHz band, as far as fixing a reserve price for the auction is concerned as mentioned by TRAI in 2008.
b. Spectrum from auction is normally given for 20 years. If the loss is calculated for 20 years on reserve price, it would amount to ₹ 4056 crore. (1014 * 4 = 4056)

The reply is not acceptable since

- The contention of DoT regarding lack of global harmonisation of 3.3 – 3.4 GHz band is not relevant. International Telecommunication Union[12] (ITU) in October 2007 had decided to include 3.4 – 3.6 GHz band for International Mobile Telecommunication (IMT) applications. In the same decision, 2.3-2.4 GHz band was also included by ITU for IMT applications, which was subsequently auctioned in 2010. Further, by 2010 spectrum in 3.3 to 3.6 GHz had become the most heavily allocated band for BWA services in European and Asian Pacific countries[13].

- The reason cited by DoT for not auctioning spectrum in 2.3 – 2.4 GHz and 3.3-3.4 GHz band while approving (August 2008) auction of spectrum in 2.5 GHz band, was that the spectrum in the above bands would be auctioned as and when it became available. However, spectrum (3.3 – 3.4 GHz band) was effectively available to DoT since 2008 itself, as allocation of this spectrum was on annual basis only which was being renewed by DoT every year without contemplating the auction of this spectrum.

Thus continued allocation/extension of spectrum in 3.3 GHz band year after year to the operators administratively, without any one-time charge resulted in significant loss to public exchequer.

This para was issued to the Ministry in June 2015. Reply is awaited (November 2015).

2.3 Irregular expenditure on opening of Regional Offices by TRAI

Telecom Regulatory Authority of India (TRAI) opened Regional Offices across the country by overlooking the directions by the Central Government, opinions of its own Legal Division and Ministry of Law, Justice and Corporate Affairs and incurred an irregular expenditure of ₹ 14.12 crore during 2012-14.

Telecom Regulatory Authority of India (TRAI) was established by TRAI Act, 1997 (hereinafter called "Act") to regulate telecom services including fixation/revision of tariffs for telecom services which were earlier vested in the Central Government. The Act was subsequently amended vide the TRAI (Amendment) Act, 2000.

12 ITU is an agency of the United Nations (UN) whose purpose is to coordinate telecommunication operations and services throughout the world

13 Source: Book on Wimax Networks – Techno Economic Vision and Challenges by Ramjee Prassad and Ferneddo J. Velez.

Under the Act, TRAI may by notifications, make regulations consistent with the Act and rules made there under to carry out the purposes of the Act (Sec.36)[14] and such regulations are required to be laid before both Houses of Parliament within a period of time as specified in Section 37 of the Act. TRAI is also empowered to appoint officers and such other employees as it considers necessary for the efficient discharge of its functions under the Act (Sec.10 (1)). Besides, the Act also empowers the Central Government to make rules for carrying out the purposes of the Act (Sec.35 (1)), issue directions from time to time, to the Authority on questions of Policy which have binding effect on the Authority (Sec.25 (1& 2)) and prescribing salary and allowances and other conditions of service of officers and other employees of Authority (Section 10(2)). The administrative expenses including the salaries, allowances and pension payable to or in respect of Officers and other employees of the Authority are met from the grants-in-aid received from the Central Government (Sec. 21 and 22).

In its 344th meeting held in August 2011, TRAI approved the proposal for opening of Regional Offices (ROs) in ten different locations[15] across the country. Approval for opening of one more RO at Delhi was accorded in its 357th meeting held in April 2012. In its 360th Meeting (May 2012), TRAI modified its earlier approval and decided that the ROs would be operated on "Pilot Project basis" under "Plan Funds" of TRAI as a part of Capacity Building Projects of TRAI for a period of two years i.e. 2012-13 and 2013-14. It was also decided that the case was to be pursued to get necessary sanctions under 'Non Plan' Funds in future.

The executive order for opening of all the eleven offices prescribing the role and functions[16] of the ROs was issued in June 2012, whereby 11 posts of Advisor, 22 posts of Joint Advisor/Dy Advisor, 22 posts of Senior Research Officer and 11 posts of Assistant were also created by TRAI for running those offices. TRAI deployed 26 officers/officials (9 Advisors, 11 Sr. Research Officer and 6 Assistants) in those ROs and incurred expenditure of ₹ 14.12 crore up to March 2014 as shown in **Annexure-VII**.

It was observed by the Audit that TRAI Act does not empower TRAI to open ROs and create posts on its own. Even, TRAI's own Legal Division, when consulted regarding opening of ROs, had opined in February 2011 that in the absence of specific provisions in the TRAI Act, it might not be possible for the Authority to open ROs across the country on its own.

14 Under Sec.36, TRAI notified TRAI (Officers and Staff Appointment) Regulations 2001 on 15 February 2001 which was laid in Parliament in December 2002.

15 Bhopal, Bengaluru, Chandigarh, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai and Patna.

16 Ensuring compliance of tariff related guidelines & effective monitoring of retail tariff, proper coordination with service providers with regard to regulatory and marketing aspects, monitoring of quality of service and handling of consumer grievances, organising OHD/CAG meetings of the TRAI, coordination and monitoring of audit and survey by independent agencies appointed by TRAI, development of Consumer Advocacy Groups (CAGs) up to District/Block level & close interaction with CAGs, organising consumer education workshops, close interaction with TERM cell of DoT, monitoring of implementation of MNP and UCC etc.

Further, on Budget Estimates of TRAI (under "Non-Plan") for the year 2012-13 to meet the additional expenditure for the opening of ROs, Department of Telecommunications (DoT) insisted (November 2011) for approval of the Central Government for creation of posts for ROs and asked the TRAI to supply the copies of approval accorded by DoT / Ministry of Finance (MoF) thereof. DoT reiterated (May 2012) that the posts for proposed ROs could be created only with the approval of MoF and Union Cabinet. DoT also asked TRAI to furnish a self-contained proposal with justification for seeking concurrence of Ministry of Finance (MoF) for creation of the proposed posts for ROs of TRAI. Later, in all the sanction orders issued for release of funds under "Non-Plan" during 2012-13, DoT had also specifically stated that funds were released subject to the condition that funds for establishment expenses in respect of regional offices of TRAI were not included in the release. However, when their demand for allotment of funds under "Non-Plan" was not acceded to by DoT, TRAI issued executive orders in June 2012 for opening of eleven ROs and creation of temporary posts by providing for the expenditure to be met from "Plan Funds" of TRAI as a part of Capacity Building Projects of TRAI, brushing aside all these objections raised by the DoT.

It was further noticed that in the following earlier occasions also, Ministries of Government of India had categorically opined that, TRAI was not empowered to create posts on its own volition.

1. In January 2000, MoF communicated to DoT that in view of the direct budgetary and policy implications, creation of posts etc., should be made subject to the approval of the MoF.

2. In July 2001, Ministry of Law, Justice & Corporate Affairs opined to DoT that the creation of posts would lie with the Central Government and the word "appointment" did not include creation of posts by TRAI under Sec.10 of TRAI Act.

   This was communicated by DoT to TRAI in July 2001 with request to make required amendments to the proposed TRAI (Officers and Staff Appointment) Regulation 2001.

3. In April 2004, MoF clarified to DoT that, in view of the ban on creation of posts, concurrence of the MoF in such matters would be necessary and this policy was applicable to all the regulatory bodies.

Further, the decision to operate Regional Offices as a part of Capacity Building was not appropriate as the Capacity Building Project intended for skill development and strengthening and developing training institutes and no way included running establishment of Regional Offices. It was also evident from the fact that initially, TRAI decided to operate ROs from funds under Non Plan. The decision was also in contravention of Delegation of Financial

Powers Rules (Rule10), which prohibits re-appropriation of funds from Plan heads to Non Plan heads without concurrence of the Ministry of Finance.

However, overriding provisions of the Act, instructions and clarifications given by the Central Government as well as opinion of its own Legal Division, the Authority went ahead and opened the Regional Offices across the country and created posts to man those offices on its own without obtaining approval from the Central Government.

On this being pointed by the Audit, the Authority stated (June 2015) that;

1) Regional Offices were running as a pilot project and did not form part of TRAI's regular establishment. The ROs were not to be made regular offices was corroborated by the fact that Authority on review of performance of Pilot Project decided to close five[17] out of 11 Regional Offices and abolish 30 temporary posts created therein w.e.f 31 March 2014. The tenure of the remaining six[18] offices was extended up to 31 March 2016 and the position / performance would again be assessed before taking any decision about the need for their continuance or otherwise. Further, prior to opening of offices, the expert legal opinion was obtained (July 2011) from Shri Harin P. Rawal, Additional Solicitor General of India (ASGI) who opined that in absence of any statutory provisions contained in the Act, it was legally permissible for the TRAI to open its Regional Offices across the country.

Reply of the TRAI is not acceptable as:

- Mere absence of specific prohibiting provisions did not empower TRAI to open Regional Offices on its own. Even, its own Legal Division was of the opinion (February 2011) that the objective of opening regional offices could be realized through an appropriate amendment in the TRAI Act. Further, powers of the Central Government to issue directions to the TRAI on Policy matters (Section 25) would also require approval of the Central Government before opening of ROs and incurring expenditure towards the same out of the grants-in-aid received from Consolidated Fund of India.

- The intention of TRAI to make the regional offices as a part of its general establishment was evident from the fact that initially, funds for establishment of the same were requested under "Non-Plan". As also evident from the opinion of the Principal Advisor (F&EA) of TRAI (September 2013), the main reason for closure of few regional offices was non-availability of sufficient funds from DoT. Thus it is quite clear that pilot projects of opening of ROs were intended to eventually turn them into regular ROs, otherwise, it would be a useless and wasteful exercise / expenditure.

17 Chandigarh, Guwahati, Lucknow, Mumbai and Patna.

18 Bengaluru, Bhopal, Delhi, Hyderabad, Jaipur and Kolkata.

2) (i) Prior to amendment in TRAI Act in the year 2000, Authority had been creating posts as it considered necessary. Further, by Amendment Act 2000, only Section 10 (2) has been amended and Section 10(1) has been kept unchanged and thus powers of the TRAI to create posts have not been taken from the Authority.

(ii) Under Section 36 of the Act, TRAI has notified the TRAI (Officers and Staff Appointment) Regulation 2001, wherein it is stipulated that the Authority may decide from time to time as regards the number of grades and strength of the posts, as it may deem necessary. This regulation was laid before both the Houses of Parliament in December 2002. On getting communication from DoT (July 2001) for amendment to the Regulation, TRAI obtained opinion of Shri A. S. Anand, former Chief justice of India in December 2001 who opined that powers to create posts must be treated as included in the powers of the TRAI for appointment under Section 10(1) of the Act. Subsequently, a letter dated 13 February 2002 was also written by the then Chairman of the Authority to the then Honb'le MoC&IT to review the issue and lay the regulation in Parliament without insisting upon the amendment. Thereafter the Regulation was laid before Parliament as communicated by DoT in February 2003. Since, no further communication in this regard was received from the DoT, this led to a general belief that the position clarified vide letter dated 13 February 2002 by the TRAI was acceptable to the DoT.

Reply of the TRAI is not acceptable as:

- ''Appointment'' and ''Creation of Post'' imply different meanings. As per interpretation of Sec. 10(1) by Department of Legal Affairs, the word "appointment" does not include creation of posts.
- As regards laying of TRAI (Officers and Staff Appointment) Regulations 2001 in Parliament in its original form, Audit observed that since TRAI had not agreed to make amendment to TRAI (Officers and Staff Appointment) Regulation 2001 pertaining to creation of posts, DoT laid the Regulation in its original form in Parliament without the amendment. Hence TRAI was not empowered to create posts. DoT's subsequent communications to TRAI in November 2011 and May 2012 on budget proposals of the TRAI also establish that DoT did not agree for TRAI having powers to create posts.

3) Process of filling of the posts created in regional offices was completed and some officers had joined prior to receiving reference from the DoT in May 2012. Again, since officers of DoT were relieved by the DoT itself for joining new posts in regional offices, it implied that creation of posts had requisite

approval of the Government. However, on getting communication from DoT in May 2012, a detailed justification for creation of posts for Regional Offices was sent to DoT in June 2012 and thereafter no further response in the matter was received from DoT.

Reply of the TRAI is not acceptable as order for opening Regional offices was issued by the TRAI in June 2012 and Regional offices started functioning at the end of 2012, whereas, DoT had raised objections on budget proposals for Regional Offices in November 2011 itself. DoT in its communication dated May 2012, had also specifically stated that filling up of posts in Regional Offices might be taken only after approval of the MoF for creation of those posts. In such circumstances, TRAI went on with the filling up of temporary posts created by it in ROs in violation of all instructions of Central Government.

Ministry in their reply while agreeing (August 2015) to the contention of audit stated that the claim of TRAI was not justified as per TRAI Act and related rules / instructions issued by the Government of India on the matter.

Thus, the TRAI, ignoring directions of the Central Government, opinion of its own Legal Division and Ministry of Law, Justice and Company Affairs opened Regional Offices across the country and incurred an unauthorised expenditure of ₹ 14.12 crore till March 2014. The expenditure will be incurred in future also till the ROs are functioning.

CHAPTER-III
DEPARTMENT OF POSTS

3.1 Excess payment of service tax due to non-availing of CENVAT Credit

The Director PLI Kolkata and CPMsG West Bengal, Maharashtra, Rajasthan and Delhi Postal Circle failed to avail eligible CENVAT Credit during the period 2010-11 to 2013-14 which resulted in avoidable payment of service tax and education cess to the extent of ₹ 7.52 crore.

The CENVAT Credit Rules introduced in September 2004 allowed a manufacturer or provider of a taxable service to take credit of duty/service tax paid on input services used in or in relation to the manufacture of specified final products/output services. The CENVAT Credit so available could be utilised for payment of any duty of excise on any product or service tax on output services. Services rendered by the Department of Posts (DoP) were brought into the ambit of service tax by the Government of India with effect from 18 April 2006. DoP, being an output service provider, collects service tax and educational cess on its output services, viz., Speed Post, Postal Life Insurance, Business Auxiliary Services, etc., and pays service tax / excise duty and educational cess on input services availed like telephone bills of DoP, annual maintenance charges for computers, purchase of capital goods, etc.

A comment on “Excess payment of Service Tax” was made in Paragraph no. 2.6 of Audit Report No. 14 of 2008-09. The Ministry in their Action Taken Note (December 2010) accepted the audit conclusion and stated that detailed instructions on mechanism to claim CENVAT Credit had been issued to all the circles in November 2010.

However, despite the instructions issued by the Ministry in November 2010, deficiencies continued to persist. Audit scrutiny of records (January 2014, January 2015 to March 2015 and updated in May 2015) in the O/o Director Postal Life Insurance (DPLI), Kolkata and CPMsG Maharashtra, West Bengal, Rajasthan, and Delhi Circles revealed that payment of ₹ 7.52 crore was made during 2010-11 to 2013-14 towards service tax on account of input services. However, while paying the service tax for output services, it was noticed that these circles did not avail the eligible CENVAT Credit of ₹ 7.52 crore against the service tax on auxiliary services as shown in the table below:

(₹ in crore)

Sl. No.	Name of unit	Type of input service on which service tax paid	Excess payment due to non-availing of CENVAT Credit
1	DPLI Kolkata	Commission paid to agents	2.79
2	Maharashtra	Carriage speed post mail by private airlines	1.70
3	West Bengal	Telephone bills, AMC etc.	1.08
4	Delhi	Automatic Mail Processing System	1.61
5	Rajasthan	Telephone bills, AMC etc.	0.34
Total			**7.52**

On an earlier reference[1] by Audit, the Ministry stated (May 2015) that the un-availed CENVAT Credit of ₹ 2.79 crore as pointed out in Audit has been availed during September 2014 by the Director, PLI Kolkata.

The Chief Postmaster General, Mumbai stated (September 2015) that CENVAT Credit of ₹ 1.70 crore, as pointed out by Audit, was availed in September 2015. CPMG West Bengal accepted that proper procedure was not being followed. CPMG, Rajasthan Circle stated that necessary action will be taken for availing CENVAT Credit. As regard to Delhi Circle, the Director (Mail Business), DoP, stated in August 2015 that DDO of Postal Directorate did not avail the CENVAT Credit. It was further stated that while endorsing the copies of sanction order to the DDO for effecting payment to the vendor, a suitable note will be added for the DDO to ensure to avail CENVAT Credit. The CENVAT Credit of ₹ 3.03 crore, is yet (October 2015) to be availed by three circles.

Thus, audit findings confirm that DoP needs to ensure that the instructions issued by DoP for claiming benefits of CENVAT Credit are scrupulously followed.

3.2 Unfruitful expenditure on procurement of barcoded bag labels

DoP made procurement of barcoded bag labels without correspondingly developing the requisite software which resulted in unfruitful expenditure of ₹ 1.71 crore besides non-achievement of the intended objective.

The primary function of Department of Posts (DoP) is collection, processing, transmission and delivery of mails. All postal articles whose contents are in the nature of message can be classified as Mails which includes Letters, Postcards, Inland letter cards, packets, Ordinary/ registered letters, insured articles, Value payable articles, speed post. These are classified as first class and second class mails. First class mails get free air mail transmission within India; whereas second class mails get air lift only if prepaid with air surcharge. The

1 A reference was made to Director, DPLI Kolkata in January 2014

visibility of transmission has been enhanced by providing track and trace facility for speed post and registered mail. The customer can track the mail through India Post website by using the unique barcode number.

In order to capture bag level data electronically, DoP decided in June 2012 to introduce barcoded bag labels for unregistered first class mail bags. All the postal circles were instructed to place orders for these bag labels as per specification allocated to them commensurate with their requirements. The process was to be completed by 31 July 2012. Further, DoP in May 2012 envisaged that until application software is developed, the bag level data for ordinary mail can be captured using customized R-Net application which is used for processing of registered mail. As part of Mail Network Optimisation Project (MNOP), the Centre for Excellence in Postal Technology, (CEPT) Mysore was directed in July 2012 to get R-Net application customized and develop the functionality for capture of bag level data in mail offices. Later CEPT was asked to include the functionality for scanning of unregistered mail bag labels in Head Post Offices (HPOs) also.

Audit scrutiny of records (April 2014 and updated till July 2015) in 30 Postal Store Depots in 17 circles revealed that on the instructions of DoP, 476.21 lakh barcoded labels were procured during August 2012 to March 2015 at a cost of ₹ 1.71 crore as detailed in the **Annexure-VIII.** Audit observed that these bar coded bag labels were not used for the purpose of capturing bag level data electronically as neither the existing software was customized nor a new software was developed. It was also noticed that as these labels were not being used for the intended purpose, DoP issued instructions to all the Heads of Circles in October 2014 to use these labels while closing a bag containing unregistered mail from December 2014.

On this being pointed out by Audit, the Circles stated (June / July 2015) that the requisite software was not provided to them. However, these barcoded bag labels were being used for unregistered mail bags.

Thus, procurement of barcoded bag labels by DoP without developing the requisite software and consequent use of these labels as ordinary labels defeated the very purpose of capturing the bag level data electronically resulting in unfruitful expenditure of ₹ 1.71 crore.

Ministry's reply is awaited (November 2015).

3.3 Non-claiming of rent

Failure of Chief Postmaster General, Karnataka Circle to claim rent from Bangalore Metro Rail Corporation Limited for the land given on temporary basis resulted in non-realisation of rent amounting to ₹ 1.64 crore.

As per Paragraph 22 (b) of Schedule of Financial Powers of Department of Posts (DoP), the Heads of Circles may rent vacant lands belonging to / or leased by the Postal Department to Government officials or private persons or bodies under annual contract or lease at the most favourable rates.

A request was made by Bangalore Metro Rail Corporation Limited (BMRCL) to the Post Master General (PMG), General Post Office (GPO) Bengaluru, in July 2009 for temporary requirement of 1015 Sq mtr of land in GPO premises to facilitate construction of Metro Station between east end of GPO and west end (Chinnaswamy Cricket Stadium).

Audit scrutiny of records (March 2015) in the O/o Chief Post Master, General Post Office Bengaluru revealed that Chief Post Master General, Karnataka Circle accepted the proposal of BMRCL. However no rent was claimed for land acquired by BMRCL on temporary basis which was in contravention to the provisions contained in Schedule of Financial Powers. Further, it was also noticed that an adjacent land measuring 810.12 Sq. mtr belonging to BSNL was given to BMRCL (September 2009) on temporary basis, for which BMRCL had offered standard rent @ 7 *per cent* per annum of the guidance value of land published by the Government. Thus, lapse on the part of CPMG, Karnataka Circle to claim rent from BMRCL for temporary requirement of land (1015 Sq mtr) resulted in non-claim of rent of ₹ 1.64 crore[2] as shown in the table below:

(₹ in crore)

Period	No. of Months	Total land	Rate per Sq.mtr / per month	Amount
01.08.2009 to 31.12.2009	5	1015 Sq. mtr	238.07	0.12
01.01.2010 to 31.12.2014	60			1.45
01.01.2015 to 31.03.2015	3			0.07
Total				**1.64**

On this being pointed out by Audit, the Ministry while agreeing to the audit contention replied (October 2015) that the matter regarding payment of rent has been taken up with BMRCL and the same is under consideration. BMRCL has informed that they will be indicating the amount payable towards rent shortly.

Thus omission on part of CPMG Karnataka Circle to claim rent while leasing out land to BMRCL led to non-realisation of rent of ₹ 1.64 crore.

2 Worked out on the basis of rent claimed by BSNL. (Guidance Value of Land as published by Government = ₹ 40812/ per sq. mtr. Rent for per square meter of land on temporary basis = 7 *per cent* of Guidance value per annum i.e. ₹ 2856.84 per annum. Rent for temporary area per month = ₹2856.84/12 = ₹ 238.07)

3.4 Avoidable Payment of Electricity Charges

Delay in assessment of energy requirements by two units under Tamil Nadu Postal Circle and one unit under West Bengal Postal Circle resulted in avoidable payment of ₹ 0.84 crore towards electricity charges

The Airmail Sorting Division (ASD) Chennai and General Manager (Postal Accounts and Finance) (GM (PA&F)), Chennai under Tamil Nadu Postal Circle and ASD Kolkata under West Bengal Postal Circle entered into agreements with Tamil Nadu Electricity Board (TNEB) and Calcutta Electricity Supply Corporation Limited (CESC) in July 2002, March 2006 and February 2012 respectively in order to meet their energy requirements. A Contracted Maximum Demand[3] (CMD) of 325 KVA (reduced to 275 KVA in August 2004) and 250 KVA was made for ASD Chennai and GM (PA&F) Chennai respectively and 428 KVA for ASD Kolkata.

Audit scrutiny of records (January 2014 and March 2015) revealed that ASD Chennai and Kolkata and GM, PA&F Chennai did not review the demand regularly for their respective units and continued with the existing CMD which was far in excess of the required demand. This lapse on the part of postal authorities in Tamil Nadu and West Bengal circles resulted in excess payment of ₹ 83.80 lakh towards demand charges as shown in the table below:

(₹ in lakh)

Name of unit	Period	CMD (in KVA/ KW)	Range of demand	Minimum demand to be billed[4]	Average maximum demand	Difference (Col 5 - Col 6)	Excess amount paid[5]
1	2	3	4	5	6	7	8
ASD, Chennai	January 2003 to August 2004	325	145 to 231	293	185	108	6.48
	September 2004 to November 2014	275		248	133	115	42.43
	December 2014	275	40 to 237	248	135	113	0.37
	January 2015 to March 2015	275		248	131	117	1.23
GM, PA&F Chennai	September 2006 to December 2014	250	102 to 185	225	146	79	23.70
ASD Kolkata	February 2013 to January 2015	428	145 to 320	364	238	126	9.59
Total							**83.80**

3 Contracted demand is based on the electricity consumption pattern

Further it was also observed that despite closure of Automated Processing Centre in January 2012, ASD Chennai continued with the existing CMD of 275 KVA whereas maximum demand recorded was between 40 to 74 KVA during the period from January 2012 to March 2015.

On this being pointed out by Audit, the Ministry stated (October 2015) that as regard ASD Chennai, the load was reduced to 275 KVA from 325 KVA with effect from May 2004. The maximum demand came down to 110 KVA as AMPC machines stopped functioning since 2012 and TNEB was requested to reduce the load from 275 KVA to 125 KVA. A new service connection was sanctioned in March 2015 for conversion of HT supply to LT supply and a transformer for LT supply was fixed in August 2015. In respect of GM, PA&F Chennai, it was stated that TNEB had admitted that meter was faulty and would be replaced with a new meter. In respect of ASD Kolkata, it was stated that CESC was raising bill for 290 KVA from May 2015.

The reply furnished by the Ministry is not acceptable as it had entered into an agreement with Tamil Nadu Electricity Board for supply of 325 KVA, which was reduced to 275 KVA from August 2004 and continued till March 2015 which was still higher than the required CMD as detailed below:

- From August 2004 the CMD remained 275 KVA whereas the average consumption during September 2004 to December 2011 was 167 KVA only.
- After the closure of AMPC from January 2012 the average consumption was 51 KVA only.

Despite the above, steps for reduction in load were only initiated after a lapse of nine years (January 2013) and ASD Chennai continued to pay for higher CMD despite reduction in consumption.

Thus due to delay in regularly assessing the energy requirements by Tamil Nadu and West Bengal Postal Circles, the Department had to incur avoidable excess payment of ₹ 0.84 crore as demand charges for the period from January 2003 to March 2015.

3.5 Under-utilization of Automatic Mail Processing Centres

Department of Posts (DoP) procured Automatic Mail Processing Centres (AMPCs) for Delhi and Kolkata at ₹ 82.53 crore. The non-compatibility of AMPCs with the requirements of Indian mail standards resulted in un-satisfactory performance and underutilisation of these AMPCs.

Mail processing is one of the core activities of Department of Posts (DoP) besides collection, transmission and delivery of mails. DoP discharges these functions through a network of

4 90 *per cent* of CMD in Chennai and 85 *per cent* of CMD in Kolkata

5 Excess amount has been calculated multiplying col.7 with number of months and rate per KVA. The rate per KVA for Tamil Nadu - ₹ 300, from December 2014 it is ₹ 325 and from January 2015 is ₹ 350 and for Kolkata rate per KVA - ₹ 317.

more than 1.55 lakh Post Offices and 400 mail processing centres. Mechanisation of this activity was necessitated as the mail handling was entirely manual which made its processing error prone and sluggish. DoP introduced Automatic Mail Processing Centres (AMPCs)[6] for mail processing activities at Mumbai and Chennai during 7th and 8th Five Year Plans which became operational in the year 1993 and 1996 respectively. The utilisation pattern of these AMPCs indicated that these systems could not be used optimally as the mail was not standardised which rendered it unfit for processing on these machines.

A comment on under-utilisation of AMPCs at Mumbai and Chennai was made in Para 1.14.1 and 1.14.2 of CAG's Audit Report No. PA 1 of 2007. Ministry in their Action Taken Note (July 2008) while explaining the reasons for under-utilisation of AMPCs had also stated that the Department was aware of the need to standardise the mail articles and during the 11th Plan a structured exercise had been planned for this. However, it was observed that AMPCs installed at Delhi and Kolkata during 11th Plan were also grossly under-utilised as discussed below:

Audit scrutiny of records (May 2014 and updated in February 2015) related to procurement and utilisation of AMPCs revealed that as per the technical bid of the vendor, articles of all types viz. Postcards, Inland Letter Cards, etc. could be processed through AMPCs. However, it was observed that the first class unregistered standardized mail i.e. business mail and speed post were only sorted through AMPCs. Further, due to non-processing of all types of articles through AMPCs, 42 and 30 *per cent* (January 2013 to July / October 2014) of mail could only be processed through AMPCs at Delhi and Kolkata respectively as shown in the table given below:

(Number in lakh)

Centre	**Average Mail received per day**	**Average Mail sorted by AMPC**	**Percentage of mail sorted per day**
Delhi (up to October 2014)	7.76	3.26	42
Kolkata (up to July 2014)	5.41	1.64	30

The above contention was substantiated by the fact that the Chief Postmaster General, Delhi informed DoP (September 2013) that only 40 *per cent* of the mail could be sorted through AMPCs and the balance was being sorted manually. It was also stated that expenditure on manpower in Delhi had actually gone up after the installation of AMPC. Thus noncompatibility of AMPCs with the requirements of Indian mail standards resulted in unsatisfactory performance and under-utilisation of these AMPCs.

On this being pointed out by Audit (August 2015) Ministry in their reply (September 2015) stated that reason for not sorting articles like Post Card, Inland letter Card, etc. was that the quantum of such articles was very less and hence they were sorted through Letter Sorting

6 Each AMPC would comprise Optical Character Reader (OCR), Letter Sorting Machine (LSM), Mixed Sorting Machine (MSM), etc.

Machines. Ministry also stated that funds had been allocated to Circles for standardisation of Mail though the expected results regarding standardisation of mails had not been achieved so far. Further, standardisation of mail was the prime pre-requisite for automated sorting and DoP was pursuing this aspect but given the vast geographical area of our country and big percentage of rural population, desired success has not been obtained. At the end, it is the general public which has to use standardised stationary and write correct address on the mail piece.

Hence, the DoP's admission that 100 *per cent* speed post and business post articles are not sorted through AMPCs confirms the audit contention that non-standardisation of mail is not the only lacunae and the non-compatibility of AMPC with Indian mail standard is also the reason for unsatisfactory performance and under-utilisation of these AMPCs. Though DoP had stated (July 2008) that steps were being taken to standardise the mail, the same had not been achieved till date. DoP needs to ensure that effective steps are taken to utilise the AMPCs optimally.

CHAPTER-IV
DEPARTMENT OF ELECTRONICS AND INFORMATION TECHNOLOGY

4.1 Deficiencies in Contract Management, Web hosting and Application Development by National Informatics Centre

Introduction

National Informatics Centre (NIC) was established in 1976 as an attached office under Department of Electronics & Information Technology (DeitY) and has since emerged as a “prime builder” of e-Government / e-Governance applications up to the grassroots level as well as a promoter of digital opportunities for sustainable development. NIC, through its Information Communication Technology (ICT) Network known as National Informatics Centre Network (NICNET), has institutional linkages with all the Ministries /Departments of the Central Government, State Governments/ Union Territories, and most of the District Administrations of India. NIC has been instrumental in steering e-Government/e-Governance applications in the government.

NIC with its Headquarters at New Delhi, has field units in all the 29 State capitals and 7 Union Territory Headquarters and more than 640 District centres in India and 19 administrative units. At the State level, NICs State/UT Units provide informatics support to the respective State Governments and at District level the NIC District Units provide informatics support to their respective District Offices. The financial outlay of NIC for five years from 2009-10 to 2013-14 is detailed below.

(₹ in crore)

Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
2009-10	439.67	86.88	526.55
2010-11	564.56	132.68	697.24
2011-12	576.62	153.96	730.58
2012-13	523.39	133.87	657.26
2013-14	523.01	129.38	652.39

Source: Budget documents

NIC has set up state-of-the-art ICT infrastructure consisting of National and State Data Centres to manage the information systems of over 7000 websites of Central/State Governments, Disaster Recovery Centres, Network Operations facility to manage heterogeneous networks spread across Ministries, States and Districts to provide the services like SMS, Internet, Video-Conferencing and Capacity Building across the country.

NIC executes and maintains projects on behalf of Central, State and Union Territories Governments. Such Projects are known as paid projects in NIC which inter-alia include eight Mission Mode Projects (MMP)[1]. These project activities include procurement of specific requirements like hardware, software etc. to total solution.

Audit examined the selected contracts executed between 2009-10 to 2013-14. The audit was conducted at the NIC headquarters and selected states[2] and district data centers. Besides General Financial Rules, important audit criteria used were provisions of IT Act 2008 and rules and regulations made thereunder in respect of electronic governance, cyber security etc. internal guidelines, policies, procedures and targets lay down by the NIC for undertaking projects, hosting of websites and to provide the services were also kept in view by Audit. As the audit was conducted on test check basis, the audit findings are illustrative only and not exhaustive.

4.1.1 Audit Findings

4.1.1.1 Contract Management

(a) Due to improper planning, hardware and software worth ₹ 12.10 crore became obsolete and expenditure of ₹ 14.25 crore on digital mapping was unfruitful in Computer Aided Digital Mapping Project.

Computer Aided Digital Mapping (CADM) Project provides utility mapping in respect of six[3] Cities for five[4] infrastructure departments to build and maintain the network / services of respective department. Planning Commission sanctioned (February 2005) an amount of ₹ 47.67 crore to implement this project and the same was to be completed in 15 to 18 months. The total expenditure incurred on the project was ₹ 35.39 crore as on March 2013.

To implement this project, the base map data along with computer hardware and application software was required to be developed by National Remote Sensing Agency (NRSA) and Survey of India (SOI). Purchase Orders for procurement of hardware and software worth ₹ 12.10 crore were placed during April 2006 to July 2006 as detailed in **Annexure-IX.** The work of base map data (Aerial Photography and Geo-coded Digital Mapping data) was assigned to NRSA and SOI. For this purpose, while a Memorandum of Understanding (MoU) was executed between NIC and NRSA in June 2005, no MoU was entered with SOI. As per the MoU, the base map data was to be completed in 12 months. Work Orders were placed in May 2005 to SOI and during May 2005 to December 2007 on NRSA for base map data as detailed below:

1 e-Office, Immigration Visa Foreigners Registration & Tracking(IVFRT), e-Procurement e-Court, Road transport, India Portal, Agriculture and Public Distribution System

2 Delhi, Andhra Pradesh, Karnataka, Madhya Pradesh, Orissa, Tamil Nadu, Uttar Pradesh, Maharashtra, Haryana, Punjab West Bengal and Assam.

3 Chennai, Ahmedabad, Kolkata, Hyderabad, Mumbai and Bangalore

4 Water, Sewage, Telephone network, Power supply, Police Department

(₹ in crore)

Sl. No.	Name of Agency	Number and Date of work order (WO)	Scope of work	Value of work order	Status of execution
1	SOI	80 dated 18 May 2005	Geo-coded Digital Mapping data for Ahmedabad, Chennai and Mumbai	5.55	Ahmedabad : April 2010 Chennai : April 2009 Mumbai : January 2009
2	NRSA	912 dated 03 August 2006	Geo-coded Digital Mapping data for Bangalore	1.78	Work order cancelled 07 July 2011
3	NRSA	81 dated 18 May 2005	Geo-coding for Hyderabad and Bangalore	3.80	Hyderabad : June 2008 Bangalore : August 2009
4	NRSA	875 dated 14 July 2006	Aerial photography for Ahmedabad and Chennai	0.53	Not made available
5	NRSA	913 dated 03 August 2006	Aerial photography for Kolkata, Hyderabad and Bangalore	1.53	October 2008
6	NRSA	922 dated 10 August 2006	Digital map coding for Kolkata	1.08	June 2011
7	NRSA	921 dated 10 August 2006	Aerial photography for Mumbai	2.09	Work order cancelled (July 2011)
8 (a)	NRSA	2173 dated 14 August 2007	Aerial Photography for Bangalore	0.43	October 2009
(b)	NRSA	2173 dated 14 August 2007	Mapping for Bangalore	2.70	Work order cancelled (July 2011)

Audit scrutiny revealed that

- The work orders did not have any clause pertaining to the scheduled time for completion of the work. The work of digital mapping and Aerial Photography were completed during the year 2009 to 2011 in all cases (except cancelled WOs) and an amount of ₹ 14.25 crore[5] was paid to SOI and NRSA.

- Out of three cancelled WOs, (as mentioned at Sl No. 2, 7 and 8 (b)), two were issued to NRSA in August 2006 and one in August 2007. However, NIC failed to monitor the execution of work of these WOs. NRSA represented in February 2010 that on account of non-payment of 100 *per cent* advance, they were not in

5 ₹12.92 crore *plus* Service Tax

a position to execute the three purchase orders. NRSA further stated that they would not be in a position to execute the same at the old rates. Hence, the three WOs were cancelled by NIC in July 2011. Further, NIC took more than one year to cancel these three WOs. It was also not known from the records produced to Audit as to whether NIC got this work executed from any other agency.

- NIC, without ensuring completion of work of base map data, went ahead with the procurement of hardware and software worth ₹ 12.10 crore during June 2006 to November 2006.

- By the time (from 2009 to 2011 as shown in above table) base map data was received from SOI and NRSA, the hardware and software procured at a cost ₹ 12.10 crore for the purpose became obsolete as evident from the circulars of NIC in June 2012 and June 2014.

- Out of the five departments in six cities, five each in Bangalore and Ahmedabad, four in Kolkata, three in Mumbai and two in Hyderabad and Chennai have not been utilizing the CADM at present.

On this being pointed out, it was stated that the delay occurred due to delay in getting the required formalities from Ministry of Defence, other factors like non-availability of pilots to fly the aircrafts and guides on board for aerial photography team.

The reply is not acceptable as purchase of hardware was not a time-consuming process and hence NIC should have ensured that the mapping of data was completed before going for procurement of hardware. NIC did not monitor the execution of the WOs by NRSA to ensure that the base mapping data was received in time as the WOs were placed between May 2005 to December 2007 and NRSA came up with a representation only in February 2010 that they would not be in a position to execute the WO. Further the reply was silent on the reasons for non-utilisation of the equipment in the various locations.

Thus due to improper planning, lack of proper monitoring and delays at various stages, hardware and software worth ₹ 12.10 crore procured during June to November 2006 became obsolete. In addition the expenditure incurred on the base mapping of the data at a cost of ₹ 14.25 crore also remained unfruitful due to non-replacement of obsolete hardware.

(b) Wasteful expenditure of ₹ 3.74 crore on NPR project.

Ministry of Home Affairs sanctioned (September 2013) an amount of ₹ 90.45 crore for creating and maintaining facility at Delhi to store National Population Register (NPR) data and developing / monitoring website of NPR biometric data collection under Phase-I of NPR scheme. While approving the project, Standing Committee decided (September 2013) that NIC should monitor the project on a regular basis. This storage required a physical space of approximately 770 Sq. Mts. and was to be hosted temporarily in existing NIC National Data Centre (NDC), Shastri Park, Delhi till the time of site preparation for NPR data.

The user Ministry decided (September 2013) that there would be a requirement of committed space for keeping the entire NPR database by the middle of 2014 and directed to explore provision for separate NPR facility. Accordingly, NIC decided (January 2014) to hire 3522.20 Sq. Mts. super built up area at the rate of ₹ 675 per Sq. Mts. per month from Delhi Metro Rail Corporation (DMRC) at 8th floor, Shastri Park where NDC was located.

DMRC issued allotment letter in January 2014 whereby it was also requested to pay an amount of ₹ 6.59 crore towards advance of license fee (₹ 3.21 crore), maintenance charges (₹ 0.51 crore), water charges (₹ 0.02 crore) and refundable security deposit (₹ 2.85 crore) by 31 January 2014. The deposit was paid by NIC in three instalments during 24 March 2014 to 29 March 2014.The allotment letter stipulated that the NIC would take possession of the floor on or before the 29th day of payment (27 April 2014)[6] and in case of not taking possession by that date, the premises would be deemed to be occupied on 27 April 2014. Maintenance charge was to commence from the date of actual occupancy or 27 April 2014, whichever was earlier. The rent (Licence fee) would be charged after allowing the 45 days as a fit out period. The premises was not occupied by the NIC by the due date of 27 April 2014 and hence, the liability of maintenance charges commenced from 27 April 2014 and that of rent from 12 June 2014 (45 days from 27 April 2014).

Meanwhile, NIC procured (from December 2013 to March 2014) six 500TB (tera byte) storage hardware and relevant software worth ₹ 35.20 crore which were installed temporarily at earmarked space in NIC data centre. The same was kept idle till date (November 2015). An expenditure of ₹ 0.52 crore was also incurred on engagement of manpower for this project from February 2014 to May 2014. The engagement of manpower was discontinued from June 2014.

Audit scrutiny revealed that despite payment of first year advance of ₹ 3.74 crore towards advance of license fee (₹ 3.21 crore), maintenance charges (₹ 0.51 crore) and water charges (₹ 0.02 crore) in March 2014 and taking possession of the premises in May 2014, it was not put to use (October 2015) resulting in wasteful expenditure of ₹ 3.74 crore. Due to this, hardware procured for the project was lying idle in the NIC premises since May 2014 and

6 As per letter of allotment dated 10 Jauary 2014, after receipt of advance deposit, the possession was to be handed over at the earliest but not later than 29th day from the date of issue of the LOA (i.e, 10 January 2014). In case, no representative of NIC turn up for taking over the premises after making payment, by 29th day, from the date of issue of LOA, the premises would be deemed to be handed over to NIC by that day. In this case, since final payment of deposit was made on 29 March 2014, deemed date of possession has been taken as 29th day from the date of payment of deposit i.e, 27 April 2014.

the chances of its utilisation in the near future were bleak. In view of the limited life span (five years) of the IT hardware, there were also chances that the equipment would become obsolete without utilisation.

On this being pointed out, it was stated (April 2015) that the project was being reviewed by DeitY. NIC further stated (July 2015) that the process for engagement of M/s National Building Construction Corporation (NBCC) for site preparation works was initiated in April 2015. MoU was signed with NBCC on 20 May 2015. NBCC engaged a project consultant for creation of the request for proposal for selection of the executing agency for data centre and once the agency was selected, the construction work on 8th floor would start. After completion of the work, the hardware would be shifted from 3rd floor to 8th floor.

The fact remains that NIC was not in a position to use the premises hired from DMRC and the chances of its utilisation in the near future are bleak as can be construed from the reply of the NIC. Thus, inaction on the part of NIC not only resulted in wasteful expenditure of ₹ 3.74 crore on rent and maintenance charges but also idle investment of ₹ 35.20 crore on procurement of the hardware and software which remain unutilised.

(c) NIC could not forfeit the bank guarantee worth ₹ 2 crore on failure of the vendor to execute the work under e -Court Project

The e - Court project was entrusted to NIC (September 2010) as an implementing agency. NIC floated (May 2011) an open tender for Supply, Testing, Installation and Maintenance of Computer Hardware through Empanelment of Vendors under e-Court project. In November 2011, M/s HCL Infosystems Ltd was empanelled for procurement of Hardware and LAN items for implementation of e-Court project in Districts and Subordinate Courts for a period of 24 months from 14 November 2011 to 13 November 2013 with a provision of extension for one more year. The validity of empanelment was extended up to September 2014.

There was no provision in tender document for revision of price due to dollar variation. Further, clause 19.14.1 and 19.14.2 of the tender stipulated that if the supplier failed to accept the purchase order, the Bid security and the Bank Guarantee received against empanelment would be forfeited and empanelment would be cancelled. Bank Guarantee worth ₹ 2 Crore submitted by vendor was valid up to 23 August 2014 which was not renewed further.

NIC placed 586 purchase orders on M/s HCL Infosystems Ltd. during November 2011 to February 2014 for various sites under e-Court project. It was noticed that the vendor stopped executing the purchase orders since August 2013 and requested (December 2013) for an upward revision of rates due to appreciation of Dollar against Rupee. The matter was referred (April 2014) to the sponsoring Ministry i.e., Ministry of Law and Justice

(MoLJ), which after consultation with the Ministry of Finance, asked (07 July 2014) NIC to take immediate necessary action to expedite alternate procurement of the items as soon as possible by adopting NICSI empanelled vendors and also take appropriate action against the current vendor as per the contract under intimation to them. Meanwhile, vendor intimated (June 2014) that the firm could not execute the orders of 100 Purchase Orders worth ₹ 9.45 crore without price revision. The work relating to 100 Purchase Orders was not executed as of May 2015.

Audit observed that, though there was sufficient time to take action against the vendor as per advice of the sponsoring ministry, NIC could not forfeit the Bank Guarantee due to lack of coordination among the concerned user groups viz., tender processing section and financial wing. Further, neither action to black list the vendor nor seeking of compensation has been taken against the vendor.

On being pointed out by audit, NIC replied (May 2015) that the case was being put up to seek the direction and approval of the Director General (NIC) and accordingly action would be initiated by the NIC.

Reply is not acceptable as on getting the directions from the MoLJ in July 2014, immediate action should have been taken to forfeit the bank guarantee of the vendor and for further purchase of items of non-executed projects from NICSI empanelled vendors or by other vendors.

(d) Extension of old tenders instead of new for hiring of Internet Bandwidth resulted in extra expenditure of ₹ 15.00 crore

Central Vigilance Commission (CVC) instructions of 06 November 2008 clearly stipulated that tenders should be finalized and contracts should be awarded in a time-bound manner within the original validity of the tender without seeking further extension of validity. Cases requiring extension of validity should be rare and in exceptional cases where the validity period was sought to be extended, it should be imperative to bring on record in real time valid and logical grounds justifying the extension of the said validity.

NIC finalized three tenders for providing internet bandwidth to NICNET during the period from 2008 to 2014. The tenders were valid for two years and could be extended for further one year on mutually agreed terms and conditions. After processing and finalizing the tenders, the rates and empanelment and extensions were as given below:

Name of firm	Date of tender	Period of empanel-ment	Rate agreed in tender in ₹ per Mbps for internet bandwidth.	Rate actually paid		Remarks
				Period	Rate in ₹ per Mbps for internet bandwidth.	
TTSL	16.12.2008	27.01.2009 to 26.01.2011	2988	27.01.2009 to 19.05.2010	2988	
				20.05.2010 to 26.01.2011	2208	Rates were reduced through negotiation within the empanelment period
	Extended	27.01.2011 to 09.05.2011		27.01.2011 to 09.05.2011	2208	Projected Rate ₹ 1200 per Mbps (as per quoted rate in April 2011)
Reliance	16.12.2008	06.02.2009 to 05.02.2011	2988	06.02.2009 to 19.05.2010	2988	
				20.05.2010 to 05.02.2011	2208	Rates were reduced through negotiation within the empanelment period
	Extended	06.02.2011 to 09.05.2011		06.02.2011 to 09.05.2011	2208	Projected Rate ₹ 1200 per Mbps (as per quoted rate in April 2011)
TTSL	Extended	10.05.2011 to 08.06.2011	1480	10.05.2011 to 08.06.2011	1480 (quoted rate of April 2011)	
Reliance and Airtel	April 2011	09.06.2011 to 08.06.2013	1200 (45.66 *per cent* reduction compared to earlier rate i.e. 2208)	09.06.2011 to 30.06.2012	1200	
				01.07.2012 to 08.06.2013	1020	Rates were reduced through negotiation within the empanelment period
	Extended	09.06.2013 to 08.06.2014	1020	09.06.2013 to 08.06.2014	1020	Projected Rate ₹ 554 per Mbps (reduction of 45.66 *per cent* on earlier rate i.e 1020)[7]
Reliance	February 2014	09.06.2014 onwards	275			

Audit scrutiny revealed the following:

- NIC flouted CVC instructions as it was extending the validity of the existing tenders time and again instead of going for fresh tenders.
- As per the three tenders for the years 2008, 2011 and 2014, the rates per Mbps in respect of internet bandwidth were reducing by minimum 35 *per cent* every year compare to previous year from 2009 to 2014.
- While there was a declining trend in the prices for the same unit of internet bandwidth as shown in the above table, NIC did not avail the price advantage and extended the existing empanelment instead of going in for fresh tenders. Had NIC floated the new tenders in time, instead of going for extension of the current empanelment, as per the projected rates stated above, NIC could have saved ₹ 15.00 crore including service tax as detailed in **Annexure-X.**

7 Quoted Rates were reduced by 45.66 *per cent* in April 2011 as compared to earlier rate of ₹ 2208. On the same analogy, projected rate for the extension period from 09 June 2013 to 08 June 2014 has been taken as ₹ 554 by reducing 45.66 *per cent* from earlier rate of ₹ 1020.

On this being pointed out by Audit, NIC replied (December 2014) that extension of empanelment was granted as per agreed terms and conditions of respective tender agreements.

The reply of the management is not tenable as NIC had flouted the CVC instructions which laid down that cases requiring extension of validity should be rare and in exceptional cases where the validity period was sought to be extended, it should be imperative to bring on record in real time valid and logical grounds justifying the extension of the said validity. Thus failure of NIC to take advantage of the declining rates by floating the tenders in time not only resulted in extra expenditure of ₹ 15.00 crore but was also in contravention of CVC instructions.

(e) Avoidable extra expenditure of ₹ 3.62 crore on SMS services due to non-consideration of Bharat Sanchar Nigam Limited (BSNL) rates

NIC empanelled (September 2009) M/s Tata Tele Services Ltd (TTSL) for Short Message Services (SMS) - Gateway services for a period of one year which was extendable further for one year (at NIC option and mutual agreement with vendor). Rates agreed for SMS services in the empanelment were as below:

Sl. No.	Number of SMS	Rate per SMS in paisa
1	Up to 10000 (0.01million)	10
2	10001 to 50000 (above 0.01-0.05 million)	9
3	50001 to 100000 (above 0.05-0.1 million)	8
4	Above 100000 (above 0.1 million)	7.5

Empanelment was extended (March 2011) for a further period of one year upto September 2011[8]. NIC went for negotiations with TTSL in view of increase in usage of SMS and following rates were agreed by the firm upon for renewal period:

Sl. No.	Number of SMS	Rate per SMS in paisa
1	Upto 0.1 crore (0-1Million)	7.0
2	0.1crore to 1 crore (1-10 Million)	6.5
3	1 crore to 2 crore (10-20 Million)	5.0
4	Above 2 crore (> 20 Million)	3.5

During the process of renewal of empanelment effective from September 2010, NIC had enquired rates of SMS with BSNL. BSNL offered (January 2011) two paisa per SMS between two crore and five crore of SMS and one paisa per SMS for above five crore SMS. Though the rates of BSNL were much lower than that of TTSL, the same was not considered and the empanelment of TTSL was extended stating that the BSNL did not fulfill the technical requirement of virtual number[9]. It was observed by Audit that:

8 This contract was extended by NIC from October 2011 to April 2012 with renewed rates. There was a further extension from May 2012 to May 2013 with mutual understanding that the rate would be L1 rate of the new tender.

9 NIC is providing both Push and Pull SMS services and as part of Pull SMS, a virtual Number is mandatory as the same needs to be integrated with the application.

- BSNL had never refused to provide pull message services. Instead, it was stated by the BSNL that push and pull message services would be provided step by step. Pull messages would be a separate service for which separate short codes would be allotted and tariff would depend on services offered by the NIC. It was also stated by the BSNL that revenue share would be provided to NIC based queries and replies. However, neither BSNL was awarded message service contract at cheaper rates, nor any enquiry was made with BSNL to ascertain the probable delay in providing pull message service.

- The traffic reports indicate that the Push SMS was 99 *per cent* whereas the pull SMS was only one *per cent*. However, no options were explored to award push message to BSNL at cheaper rate and pull message to TTSL or some other agency. NIC did not even negotiate with TTSL to provide a separate rate at par with that of BSNL for push message.

- Due to non-consideration of BSNL rates in February 2011, NIC paid higher rate for the period from March 2011 to May 2013 to TTSL, which resulted in an avoidable excess expenditure of ₹ 3.62 crore[10] as detailed in the **Annexure-XI.**

On being pointed out by audit, no reply was furnished by NIC. Reply of the Ministry was still awaited (November 2015).

4.1.1.2 Software development and hosting of web sites

(a) e-Office application

The Government of India introduced (December 2009) a Mission Mode Project electronic office (e-Office) for transforming conventional government offices into more efficient and transparent e-Offices, thereby eliminating huge amount of paper work. The project would automatically promote the desirable values of transparency, efficiency, accountability and economy. The product comprised a set of modules[11] to promote working with files, documents, records, HR, Court cases, RTI etc. electronically, which automates the internal functioning within and across government offices. The Government of India entrusted NIC to implement this project in Central and State Government offices throughout India.

During the test check of the six application modules in e-office project various shortcomings were noticed. Some of important shortcomings are mentioned below:

10 Payment was effected based on the rates obtained in the new tender finalised in August 2013with M/s Velti India Private Limited for the period from 01 May 2012 to 31 May 2013.

11 File Management System (e-file), Knowledge Management system (KMS), Leave Management System (eLeave), Personal Information System (PIS): Tour Management System (e-Tour), Collaboration and Messaging Services.

- Leave Management System (LMS) module –

  In the LMS module there was no provision to facilitate an employee to apply for extraordinary leave (EXOL) when there was no leave at credit in his leave account.

- Personal Information System

  i) Half Pay Leave (HPL) was being updated only when an employee applied for HPL. HPL was not being credited automatically as and when due.

  ii) The software was not automatically crediting the earned leave half yearly on 01 January and July. Also, when an official went on leave it was debiting leave period without updating the leave at credit due on earlier 01 January and July.

  iii) Service book part IIIA – No details were available in LTC availed column for EL encashment and leave availed on LTC.

  iv) Annual attestation of the service book by the employees in confirmation of the entries of service book was not feasible digitally, as no digital signature was provided to them. Even getting a printout of service book was not possible so as to obtain at least manual signature.

  v) Qualifying Service Module – The dropdown icon under Foreign Service Section was not having the field for name of Organisation / Station of posting of employee. Instead, only name of countries were showing in the drop down. Further there was no field to show the due amount in respect of Leave Service and Pension contribution (LSPC) from the foreign employer.

- Tour Management system.

  i) No fields were available for transit period in respect of tours.

  ii) There was no integration between e-Tour and leave management system so as to facilitate automatic updating of leave account in case an employee applied leave on tour.

  iii) When an employee goes on tour, no link option was available to delegate the work of that employee to other employee by the controlling officer.

- File management system

  i) e-file – If an employee puts up a note in e-File then it requires some references which are mostly in Knowledge Module System (KMS). But there was no link field in e-File to references from KMS module.

  ii) e-File inbox: flagging facility was not provided for pending files to categorizing based on importance and urgency of disposal.

  iii) There was no spell check for corrections in e-File.

- Other deficiency

  There was no provision at all for application and sanction of advances like motor car, computer, HBA, tour, LTC etc.

On being pointed out, it was replied (March 2015) by NIC that shortcomings noticed by the Audit would be incorporated in future release of e-office.

(b) Agriculture Marketing Information Network (AGMARKNET)

The main objective of Agriculture Marketing Information Network (AGMARKNET) project is to establish a nationwide information network for speedy collection and dissemination of market information and data for efficient and timely utilization by farmers and others. It also intended to facilitate collection and dissemination of information related to better price realization and market access by farmers. By the end of 11th Plan AGMARKNET covered 3241 markets out of 7190 markets in the country. In these 3241 markets, all the hardware and software and allied peripherals were installed to feed the data online.

During test check by Audit, deficiencies in the project were noticed and some of them are mentioned below:

- Out of 3241 markets, 1009 markets were not reporting since installation.
- The vital information like support price of Government for each crop was not displayed in the website.
- The website should have displayed the prices of all crops, but in the test check it was noticed that price template was not displaying prices of sugar cane.
- In this application, there was no field to feed sales data. Hence information of sales on a particular day in a particular market was not available on the website. Therefore, it was difficult to determine the stock balance of the crops at the end of a particular day in a particular market which could be placed to storage or stocked safely in order to save from unexpected natural occurrences like rain / snowfall /fog / moisture etc.

The reply to this observation was awaited from NIC / Ministry (November 2015).

(c) National Portal of India

The National Portal of India was developed with an objective to enable a single window access to information and services being provided by the various Indian Government entities. The content in this Portal is the result of a collaborative effort of various Indian Government Ministries and Departments, at the Central / State / District level. This Portal is a Mission Mode Project under the National E-Governance Plan, designed and maintained by National Informatics Centre (NIC).

Following significant shortcomings were noticed on test check of National Portal by Audit:

1. There are main tabs namely Topics, Services, People groups etc. in the site. When the mouse is placed on each of these tabs, sub topics appear. If these sub topics are clicked, relevant page opens. However, in popup menu, name of only two or three states appear for every service. For example on clicking Agriculture only results for Tamil Nadu and Rajasthan are shown. Similarly, in respect of Education, only Tamil Nadu, Nagaland and Sikkim appear.

2. In respect of Karnataka State, the following deficiencies were found :
   a. "Directorate of Municipal Administration" link was displaying 'Page not found'.
   b. "Attendance Monitoring System" link was not opening (webpage is not available)
   c. "Names of PS / Secretaries" under "My Government" link, is displaying blank page
   d. "Donate Blood" under "emergency numbers" link was not opening (webpage was not available)

3. In respect of Uttar Pradesh State, the following deficiencies were observed:
   a. Uttar Pradesh Forest Corporation Act 1974 was not uploaded.
   b. Online services of Uttar Pradesh State Transport Corporation were not found.
   c. The enrolment form for Rakshak Dal was not uploaded.

Thus, the portal was not giving information in complete form.

On being pointed out by Audit, NIC replied (March 2015) that the integration and availability with National Portal are to be ensured by respective owners. The reply confirms that integration of data and broken links need to be streamlined by NIC in coordination with user department from time to time.

(d) e-procurement portal

Department of Expenditure decided to set up a Central Public Procurement Portal (CPP Portal). National Informatics Centre (NIC) was given the responsibility for setting up this portal.

The primary objective of the portal is to provide a single point access to the information on procurements made across various Central / State Government Departments, Directorates, Statutory Organisations, Local bodies, Undertakings / Boards in their respective States. The Mission Mode Project Portal is accessible at the URL http://eprocure.gov.in/mmp.

Audit examination of the portal revealed that some URLs were not working / linked as detailed below:

Home page	Next Screen	Observation
Instructions related to MMP	Guidelines on e-procurement	Page not found
Rules and Procedures	A.P, Bihar, H.P, Karnataka, Kerala, Rajasthan, Tamil Nadu, West Bengal	In the remaining 21 states and 8 UTs rules and procedures have not been uploaded
Downloads	Nodal Officer Creation form	Not found
	MMP e-procurement portal image	Not found
State e-tendering portal	four State Portals (A.P, Arunachal Pradesh, Assam and Gujarat) are working	1. Dadra and Nagar Haveli – File or URL not found 2. Andaman – 403: Forbidden, Access Denied 3. Remaining 29 States URL were not linked
e-procurement – Map		1. Six states were marked with Gray and other states marked with red-brick but no indication of colours denoted. 2. Public Sector Undertaking websites were hosted in the MMP of MP (http://mpeprocurement.gov.in) and Bihar (https://www.eproc.bihar.gov.in) but not linked to state websites. http://mpeprocurement.gov.in https://www.eproc.bihar.gov.in

On this being pointed out, NIC accepted the facts and replied (April 2015) that they have updated all the shortcomings pointed out by Audit and as regards to rules and procedures it was stated that the state specific nodal officers have to provide the same and they had been reminded again.

(e) Department of Agriculture and Cooperative Network (DACNET)

The Vision-2020 document of Department of Agriculture envisaged that “the tools of ICT will provide networking of Agriculture Sector not only in the country but also globally and the Centre and State Government Departments will have reservoir of databases” and also “bring farmers, researchers, scientists and administrators together by establishing “Agriculture Online” through exchange of ideas and information”. For achieving this, DACNET (Department of Agriculture and Cooperation Network) website was created for interactive exchange of information, for planning, day to day operations and availability of all advisory services on demand to farmers.

From the DACNET webpage it was observed that the following URLs were not working.

- Under the field "second green revolution" it was showing "file or directory not found".
- Field on "Opinion poll'' was not showing any result. It was not moving further after click on "submit".
- Speech → Speeches of Ministers →"file or directory not found"
- 42 number of V-SAT usage was not available. It was showing "not found".
- When clicked on Market prices, it was linked to AGMARKNET and showing the dates. But when clicked on the dates it was not showing market prices.
- Under the Directorate Portal →Agricultural Marketing Division →Directorate of Marketing & Inspection, it was showing "file or directory not found".
- Under plant quarantine reports → under quarantine status, integrated pest management system, Bio control labs it was showing "file or directory not found".

The reply from the Ministry was awaited (November 2015).

(f) Deficiencies in GOI web search engine

Existing search engines such as Google, Microsoft Bing etc. have demonstrated the usefulness of search technology for the World Wide Web. Search technology allows users to have a simple interface to extract the information from large volumes of structured and unstructured data. Keeping this in view, NIC decided (April 2011) to create Government of India (GOI) web search platform for government websites. The work was assigned to the C-DAC Pune (August 2011) at a cost of ₹ 7.90 crore. Work was completed by the C-DAC in July 2013.

While going through the GOI search engine Audit observed that

- There was no provision for search in Indian languages and floating keyboard was also not available except for Hindi and Urdu.
- The crawling, index and faceting for content management was not accurate, relevant and reasonable as discussed below
    - o Searched for 'MP[12] Nizamabad' – the MP website was not shown as per C-DAC proposal. Even, the name of the MP was not shown.
    - o Searched for 'Maharashtra' - it was retrieving the web based addresses of State NIC etc and not furnishing the details of population, area, capital and official language etc.

12 Member of Parliament

- Searched for 'Navodaya School' - it was giving irrelevant results.
- Query for 'what is the service tax rate in India' – it was not responding to the query, it simply gave the relevant pdf files and web site URL address.
- Searched for 'Prime Minister of India' (in January 2015) - it was showing Dr. Manmohan Singh as Prime Minister of India.
- No spell check: i) when a query was wrongly typed i.e. "Inocme tax" it was not responding as "did you mean income tax". Simply resulted in giving irrelevant data than what actually we get for income tax query. (ii) Similarly, for service tax typed as "sarvice tax", it was responding as "did you mean service tax" but resulted in irrelevant data than what was actually required.
- C-DAC project proposal stipulated to provide intranet search but the same was not provided. The respond time in the agreement was three seconds but, it was ranging between 15 to 60 seconds. There was no provision for display of response time along with number results for the query in the web site.

On this being pointed out, the department accepted (March 2015) the observation and corrective steps had been initiated.

(g) Non-compatible websites for mobile

With rapid technological developments, mobile phone has evolved from a mere communication device to smart phone with an ability to tap a plethora of information and services. The services provided over a mobile phone today have moved beyond their fundamental role of voice communications to a range of value added services.

It was observed that NIC websites are not compatible to mobile (cellular) technology.

On being pointed out, it was stated (May 2015) that NIC was in the process of developing a content management framework for Government websites. This framework would be developed in open source technology and would be made available to Government entities for migration of their websites. The websites migrated to this platform would be mobile friendly with responsive design features.

The fact remains that NIC websites were not compatible to mobile technology.

(h) Non-inclusion of minimum content in Government websites

NIC has formulated 'Guidelines for Indian Government Websites (GIGW)' in January 2009 which was adopted by Department of Administrative Reforms and Public Grievances (DARPG), Ministry of Personnel, Public Grievances & Pension, GoI. As per para 4.5.1 of Guidelines, Indian Government websites must have nine minimum contents as shown below:

- Department Name (alternatively, the name of the Project, Service etc as applicable)
- National Emblem / Logo (as applicable)
- About the Department (including its main activities and functions)
- Link to all the major modules/sections of the site
- Link to all the Citizen services offered by the Department
- A link to the 'Contact Us' page of the website
- A link to the "Feedback" page
- A link to National Portal
- Search / Site map
- Terms and Conditions of use.

Further, the Department must have a clear-cut Archival Policy with regard to old documents stating for how long they would be kept online. The same was very important, since these old documents sometimes need to be referred to for regulatory or legal purposes.

a. Audit verified 526 Govt. websites and found that only 81 websites had the minimum contents and the remaining 445 websites did not have one or more contents.

While accepting the audit observation it was stated (November 2014) that the steps were taken to follow the Guidelines for Indian Government Websites (GIGW) but user department did not adhere to. All user departments would again be instructed to follow the GIGW guidelines.

b. It was seen from NIC websites that most of the websites did not have archival policy which continued for years together. Due to non-adherence to Archival Policy in websites, space in servers remained occupied which may result in forcible and unnecessary procurement of storage servers.

On being pointed out it was replied (March 2015) that these policies are back end policies and their existence / implementation needs to be checked with the respective Ministry/ departments.

The reply is not acceptable since NIC should ensure the implementation of these policies before hosting the website in NIC data centres.

(i) Hosting of websites without Security Audit

As per the NIC guidelines for Indian Government Websites, the website management teams should ensure that all Government websites undergo and clear a security audit carried out by an authorized empanelled agency before being hosted as well as after major revisions.

Audit scrutiny revealed that out of 7743 websites available in the NIC NICNET, only 4585 sites have been audited, 1929 audits were under process and 1229 have not been audited. From the above, it was observed that 3158 websites have been hosted without completion of the audit.

Thus, due to absence of security audit, NIC compromised the security of 3158 websites leaving them open to possibility of cyber-attack.

In reply, management accepted the fact and stated (December 2014) that due to the urgency, websites were launched/inaugurated with the permission of competent authority.

Conclusion

Audit observed deficiencies in the functioning of NIC in respect of planning and execution of projects, web applications of various projects and design and development of websites.

Being a premier Science and Technology Organisation at the forefront for the active promotion and implementation of ICT solutions in the Government, NIC should evolve an appropriate monitoring mechanism so as to ensure proper planning and timely completion of projects, economy in tender processes, efficient working of project applications and software, efficient management of web sites.

4.2 Abnormal delay in construction of building at Pune and in taking up of construction of office building at Jasola, New Delhi by C-DAC

Inordinate delay in completion of building for C-DAC Pune resulted in escalation of cost of the proposed building by ₹ 66.39 crore besides blocking up of funds of ₹ 47.62 crore.

Also, C-DAC, Delhi acquired a plot of land at Jasola, New Delhi and took physical possession in September 2001 by paying ₹ 1.52 crore to Delhi Development Authority (DDA). C-DAC is yet to commence the work (March 2015) and paid Composition fee and penalties of ₹ 6.08 crore to DDA for getting extensions from time to time.

Centre for Development of Advanced Computing (C-DAC) (formerly Electronic Research & Development Centre of India) was established in March 1988 as a Society under the Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology. The Society was primarily setup as an R&D institution involved in the design and development of Advanced Information Technology (IT) based solutions. CDAC has 11[13] centres across India with headquarters at Pune.

C-DAC, Pune:

C-DAC headquarters at Pune was operating from rented premises located at five different places within Pune. C-DAC submitted (September 2007) a proposal to DeitY, Ministry of Communication and Information Technology, Government of India for construction of own building on land measuring 1.50 acres at Pashan, Pune. The main objective of the proposed project was to shift entire operations of C-DAC, Pune functioning presently from five rented buildings (74,149 sq. ft.) to its proposed building with 1.68 lakh sq. ft. functional area to save expenditure on rent[14] besides other operational and administrative benefits[15]. Administrative approval for the project was given (February 2008) by DeitY for an amount of ₹ 49.80[16] crore which was to be shared between DeitY and C-DAC in the ratio of 60:40. The project was scheduled to be completed within two years from the date of sanction (i.e. by February 2010).

Tenders were invited (July 2008) by C-DAC, Pune for construction of the proposed building. The proposed building was to have high voltage AC, fire protection and lifts system besides Civil and Electrical works. The building was to be designed to meet regulatory requirements like safety, earthquake, lightening and environment. M/s Nagarjuna Construction Company Ltd. (NCCL) was the L1 bidder with bid amount of ₹ 61.73 crore. As the quote of successful bidder (L1 bid) was exceeding the sanctioned cost of ₹ 49.80 crore, the scope of work was reduced and bids of all the technically qualified bidders were re-evaluated as per the reduced scope of work. The same did not include interior works worth ₹ 14.59 crore, false flooring (to suit technological needs) and sewage treatment plant which were to be undertaken separately and subsequently. Two Diesel Generator (DG) sets, which were not a part of the proposal, were included in tender. M/s NCCL again stood as L1 bidder with bid amount of ₹ 49.18 crore. Even though CDAC was aware of the fact that the proposed building can not be put to use without interiors etc., it went ahead and obtained (January 2009) approval of DeitY for placing work order on M/s NCCL, instead of submitting revised estimate to DeitY for approval.

C-DAC issued work order in May 2009 to NCCL with the stipulation that the project should be completed within 15 months from the date of issue of work order. The work commenced during May 2009 but it was decided (April 2010) to further reduce the scope of work in view of cost constraints. Work as per reduced scope was completed (September 2011) by M/s NCCL and the total amount incurred on the project was ₹ 47.62 crore.

13 Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mohali, Mumbai, Noida, Pune, Silchar and Thiruvanathapuram.

14 Present (March 2015) rent burden is ₹ 90.67 lakh per month.

15 Ease in technical interactions between various groups operating from various locations, duplication of shared equipment and their operational costs, improper hired building configuration required for a National Research Lab like C-DAC etc.

16 ₹ 29.88 crore as Grant from Government of India and ₹ 19.92 crore by C-DAC funds from internal accruals.

Meanwhile, C-DAC Pune moved (February 2011) a proposal to the Standing Finance Committee (SFC) for approval of DeitY for enhanced outlay for completing the balance work as per the original plan and requirement of additional funds of ₹ 16.12 crores. DeitY asked (September 2011) to re-submit the revised proposal since the additional funds required were in excess of 20 *per cent* of the approved project cost. Thereafter C-DAC submitted (October 2011) the revised proposal to DeitY for approval of Expenditure Finance Committee (EFC). In turn, DeitY advised (February 2012) C-DAC for getting the proposal vetted and examined by a third party preferably CPWD, NBCC or other such government department. This proposal was again returned (April 2012) for modification to C-DAC by DeitY. C-DAC submitted (September 2012) a revised proposal to DeitY for the balance work wherein the total project cost increased to ₹ 116.19 crore resulting in additional funds requirement of ₹ 66.39[17]crore (₹ 116.19 crore – ₹ 49.80 crore) due to cost overrun (₹ 25.19 crore), increase in scope of work (₹ 11.16 crore), cost of extra items executed (₹ 5.84 crore), statutory and other items which were not considered in the initial estimates (₹ 9.61 crore) and interior works excluded from the scope of work (₹ 14.59 crore). After due vetting by Ministry of Finance, Planning Commission and DeitY, the meeting of EFC was held (October 2013) and administrative approval was received (February 2014). DeitY sanctioned (February 2014) the revised proposal with a stipulation to complete the same within two years i.e. by February 2016.

Accordingly, bids for the balance work were invited (July 2014) from Central / State PSUs and C-DAC entered (January 2015) into an agreement with M/s Engineering Projects India Ltd (EPIL), the L1 bidder, at ₹ 51.40 crore. The site was handed over to EPIL on 26 February 2015. As per the agreement, the work was to be completed within 15 months from the date of handing over of the site i.e. by May 2016.

Scrutiny of records of C-DAC (December 2014) by Audit revealed the following:

- Before inviting tenders, due diligence of the project cost was not carried out by C-DAC to ensure that cost of the project was within the limits of sanctioned cost and sought revised approvals. This resulted in non-completion of the work within the approved outlay.

- Though C-DAC has no technical / engineering division, it relied on a private consultant (M/s Kirloskar Consultants Ltd.) for preparation of project estimate instead of approaching CPWD or other Central / State PSUs or departments engaged in construction activity. As a result, estimates were not prepared correctly due to which bids received for the project were in excess of the sanctioned cost, indicating defective planning. This was observed (October 2013) by the EFC while approving the revised proposal stating that the estimates had gone wrong.

17 ₹ 39.83 crore (60 *per cent*) Grant from Central Government and ₹26.56 crore (40 *per cent*) C-DAC funds from internal accruals.

- While reviewing the proposal submitted to DeitY for sanction of the balance work, Planning Commission observed (August 2013) that there was no due diligence done at the time of preparing the initial cost estimates and also instead of approaching EFC for Revised Cost Estimates (RCE) when actual expenditure exceeded 50 *per cent* limit of the approved cost, C-DAC sought approval for RCE after spending almost 95 *per cent* of the approved budget. C-DAC should have sought approval for RCE in 2008 itself.

- Imprudent decision of C-DAC, Pune to construct only the structure of the building and substantial delay in taking up the balance work resulted in non-completion of the project which led to additional burden / expenditure of ₹ 61.99 crore towards cost overrun (₹ 25.19 crore) and rent on hired premises (₹ 36.80[18] crore) (**Annexure- XII & XIII**) besides blocking up of capital to the tune of ₹ 47.62 crore for more than six years.

On this being pointed out, Ministry stated (August 2015) that:

- Scope of the work was reduced with the intention to start the work as per approval of the competent authority and initially only the interior work and few other items were reduced as mentioned in the approval of DeitY.

- The work of construction of Pashan building continued till September 2011 by NCCL who agreed to complete the work at the quoted rate in 2009 and the new proposal was sent to DeitY for approval in February 2011. However due to administrative reasons and the pending approval of EFC, the sanction was not processed. Administrative approval was received in February 2014.

- As per the revised estimate, cost increased due to various factors including statutory levies, change in scope of civil work, increase in capacity of batteries, cost escalation due to change in schedule rates, etc.

The replies of the Ministry are not acceptable to Audit due to the following reasons:

➢ Decision to construct the structure of the building while excluding the interiors from the tenders and further reduction of project scope after opening of the bids was not appropriate since the building cannot be put to use even after spending the entire project cost.

➢ Receiving bids in excess of the estimated cost cannot be attributed as a reason for delay of the project. As observed by the Planning Commission, C-DAC, Pune should have sought approval for revised cost estimate in 2008 itself instead of reducing the scope of the work.

18 Scheduled completion of the project was February 2010. Avoidable expenditure on rent calculated from April 2010 to March 2015 which is likely to increase if there is further delay in completing the project.

- Pre-project study had not been carried out properly taking all parameters into consideration, resulted into very low initial sanction cost compared to the quoted amount of L1 bidder. Cost escalation should have been avoided by obtaining timely approvals for revised cost estimate.

Moreover, the completion of the project by May 2016 doesn't seem likely looking at the meagre budget allocation of ₹ 1 crore during 2014-15 and ₹ 1.5 crore during 2015-16 against its share of ₹ 39.84 crore as Grant-in-aid of the DeitY's share. In the meanwhile, C-DAC would be incurring ₹ 12.69 crore per annum (at the present rate) till such time the building is completed and entire operation is shifted to its own premises. Further, the realisation of other benefits[19] envisaged in the project proposal was also delayed by more than six years due to defective planning and imprudent decision by C-DAC.

C-DAC, Delhi:

In May 2001, C-DAC, Delhi was allotted a plot of land measuring 3185 square meters by Delhi Development Authority (DDA) on lease hold at Jasola, New Delhi for construction of its office building at a cost of ₹ 1.52 crore. The physical possession of land was taken in September 2001. In terms of Clause-xxii of allotment letter of DDA, C-DAC had to complete the construction of building within a period of two years from the date of taking over physical possession of the land / plot. But till date (March 2015), the construction of the building has not commenced. Administrative approval for construction of the building was obtained in February 2008 at a total estimated cost of ₹ 17.25 crore with DeitY's contribution as ₹ 10.35 crore and that of C-DAC as ₹ 6.90 crore. This cost estimate was revised to ₹ 50.55 crore during February 2014 as approved by Standing Finance Committee (SFC) with DeitY's share as ₹ 30.33 crore and that of C-DAC as ₹ 20.22 crore.

Scrutiny of records (Nov.2014) of C-DAC Delhi revealed that:

- C-DAC did not utilise the land even after passing of 14 years from the date of physical possession of the land. Even though action for the construction work was initiated by C-DAC on 23 September 2001 by calling bids for short-listing of architect for the said work, no further progress was noticed;

- C-DAC instead of undertaking construction of the building, kept on obtaining extension from DDA from time to time for construction of the said building. For getting these extensions (the latest extension obtained up to September 2016), C-DAC had been paying ground rent, composition fee, as well as interests/ penalties to DDA. Till date, C-DAC Delhi paid ₹ 6.08 crore as ground rent, composition fee, interest besides cost of the land (₹ 1.52 crore);

19 Ease in technical interactions between various groups operating from various locations, duplication of shared equipment and their operational costs, improper hired building configuration required for a National Research Lab like C-DAC etc.,

- As C-DAC, Delhi failed to commence the construction of its office building even after the passage of over 14 years, the unit was forced to continue its operation from hired premises. Besides paying ground rent, composition fees etc., as stated above, C-DAC Delhi had paid ₹ 4.04 crore as rent for the hired premises from April 2004 to November 2014.

On this being pointed out by audit, C-DAC, Delhi stated (March 2015) that:

- The Jasola building project could not materialize initially due to various administrative and technical reasons and was kept under abeyance for quite a long.
- In the year 2007, the Governing Council of C-DAC approved the proposal of constructing C-DAC's building at the said land.
- The building drawings for 150 Floor Area Ratio (FAR) were submitted with DDA keeping the current as well as future activities & requirements into mind for approval in May 2008 against approved FAR of 100. Due to the issue of FAR charges by DDA, the project could not progress.
- A revised proposal regarding construction was submitted to DeitY in July 2013 which was approved by SFC of DeitY in February 2014 with 60:40 share. But in spite of their demand, the allocation for infrastructure project had not been made by DeitY and hence the project had been further delayed.
- The avoidable expenditure as pointed out by Audit was in fact fruitful in view of the fact that the present value of the Jasola land is more than ₹ 50 crore.

The reply of the C-DAC, Delhi is not acceptable due to the following reasons:

- The reply of C-DAC itself confirms the abnormal delay as it has been admitted that the project was kept under abeyance for a long time.
- It took nearly six years for the Governing Council to give its approval for construction of the building.
- Proper planning for Floor Area requirement was not done in advance due to which project could not progress and was badly delayed which led to the estimated cost of the building escalate to ₹ 50.55 crore from ₹ 17.25 crore.
- As no funds were allocated in the budget during 2015-16 except a sum of ₹ 1.50 crore in the Detailed Demands for Grants towards DeitY's share of ₹ 30.33 crore, the completion of the project in the near future is doubtful. Thus, the fact remains that even after a lapse of 14 years, the unit was forced to continue its operation from hired premises.

- Management's contention that the amount incurred on the land was fruitful in view of the fact that the present value of the land is more than ₹ 50 crore is not acceptable as the land was allotted and acquired for a specific purpose, not for value appreciation.

Further, indecisiveness of C-DAC, Delhi to construct building at the allotted plot (Jasola, New Delhi) even after 14 years of acquiring and seven years after the approval given by its Governing Council for construction of a building led to avoidable payment of ₹ 10.12 crore towards rent, composition fee, interest.

Ministry's reply is awaited (November 2015).

4.3 Avoidable payment of ₹ 91.78 lakh towards purchase of plot from NOIDA due to imprudent decisions of management of C-DAC

C-DAC purchased a plot of land measuring 20000 sqm at ₹ 1375 per sqm on lease basis from NOIDA, Uttar Pradesh (UP) for construction of National Institute of Advance Technology Building. As per the payment schedule in the lease deed, C-DAC had to pay 30 half-yearly instalments with interest after paying allotment money. C-DAC deviated from the payment schedule and paid only principal amounts for some period and lump sum amounts thereafter. NOIDA did not accept the request of C-DAC for waiver of interest amounts. As a result, C-DAC, ended up paying ₹ 569.45 lakh against the total amount of ₹ 477.68 lakh resulting in avoidable payment of ₹ 91.78 lakh besides loss of interest of ₹ 31.54 lakh for such advance payments made.

Centre for Development of Advanced Computing (C-DAC), NOIDA Centre acquired a plot measuring 20,000 sqm from New Okhla Industrial Development Authority (NOIDA) for the purpose of constructing and setting up National Institute of Advance Technology building, at a subsidized rate of ₹ 1375 per sqm on lease for a period of 90 years. One of the conditions of the lease deed was that the construction should start within six months from the date of possession and complete within five years from the date of possession.

As per the payment plan contained in the lease deed, after payment of allotment money of ₹ 27.50 lakh (10 *per cent* of total Land Premium ₹ 275 lakh), lease deed was executed in December 2001 and the balance premium of ₹ 247.50 lakh was to be paid in 30 half yearly equal instalments of ₹ 8.25 lakh along with interest at the rate of 12 *per cent* per annum compounded half yearly, failing which penal interest at the rate of 18 *per cent* per annum compounded every half yearly on defaulted amount for delayed period was to be charged. Thus, in case of timely observance of payment schedules, ₹ 477.68 lakh was to be paid by C-DAC towards balance premium and interest during the period from 24 April 2001 to 24 October 2015 as detailed in **Annexure-XIV.**

Audit scrutiny of records (August 2014) revealed that:

i. C-DAC paid only principal amounts of six half yearly instalments to NOIDA between April 2001 and October 2003 in contravention of the payment plan as mentioned in the lease deed.

ii. Additional Secretary, MoC & IT, DeitY (erstwhile DIT) approached NOIDA in October 2003 for waiver of interest on the instalments or in case of non-feasibility of waiver, settlement of balance premium on cash down payment basis but NOIDA did not respond.

iii. C-DAC Management in December 2003 took injudicious and unilateral decision and made lump sum payment of ₹ 198 lakh against balance 24 half yearly instalments.

iv. As payments were made in contravention of the provisions of the lease agreement, NOIDA raised a demand of ₹ 204.83 lakh (July 2011). The demanded amount was paid by CDAC in October 2011. Further, in May 2014, C-DAC paid ₹ 117.12 lakh towards balance instalment / penal interest.

v. Thus, C-DAC NOIDA paid ₹ 569.45 lakh instead of the pre-determined amount of ₹ 477.68 lakh due to deviation from the payment schedule, resulting in avoidable extra payment of ₹ 91.78 lakh.

Thus, imprudent decision taken by Management of C-DAC NOIDA resulted in avoidable expenditure of ₹ 91.78 lakh besides loss of interest of ₹ 31.54 lakh at the prime lending rate of State Bank of India as detailed in **Annexure -XV.**

The matter was referred to Ministry during March 2015. The Ministry while accepting the facts & figures pointed out by audit, replied (May 2015) that:

i. C-DAC NOIDA initially paid six instalments on its due dates without interest. During 2003, C-DAC proposed to pay all the remaining 24 instalments in one go so as to save interest charges.

ii. Additional Secretary, DeitY, during October 2003 also took up the matter with CEO, NOIDA who, while accepting the down payment, indicated that the outstanding issues, if any, would be discussed and put up to the Board for consideration, if required.

iii. Thereafter NOIDA authority had never asked for any remaining payment during 2003 to 2011 except that they have sent a demand note during July, 2011 for ₹ 204.83 lakh.

iv. C-DAC officials also took up the matter with NOIDA through personal meeting on 26 July 2011 and corresponded with them during August 2011 and September 2011 but there was no positive outcome. C-DAC further approached NOIDA authority during December 2011, October 2013 and November 2013 also however, there was no response from NOIDA all through.

v. As NOIDA Authority had threatened to cancel the plot in case C-DAC did not pay the dues, ₹ 2.05 crore was paid on 14 October 2011 under protest to overcome the problem.

vi. Subsequently, NOIDA Authority had sent two more demands for ₹ 78.25 lakh in January 2014 and ₹ 38.87 lakh in May 2014, respectively, towards balance payment and interest.

vii. In the interest of the Society and with the a view to avoid legal complications, C-DAC NOIDA had also paid ₹ 78.25 lakh and ₹ 38.87 lakh respectively and the payments had been released from Govt. of India Society to another state Govt. organization on account of lease agreement clause.

The contention put forth by management is not acceptable due to the following reasons:

1. C-DAC / DeitY (erstwhile DIT) took up the matter for waiving of interest and accepting down payment only in October 2003. Even before taking up the matter with NOIDA for waiving interest, C-DAC paid only principal amounts between April 2001 and October 2003.

2. NOIDA did not give any approval for interest waiving and stated (November 2003) that issues, if any, would be discussed and put up to their Board for consideration, if required in their response to Additional Secretary's request for waiving of interest.

3. The objective of leasing of the land to C-DAC for the purpose of constructing and setting up National Institute of Advance Technology building was not achieved.

Thus, C-DAC, deviated from the original payment schedule as contained in the lease deed without obtaining proper approval from NOIDA. This deviation attracted interest / penal interest and resulted in excess and avoidable payment of ₹ 91.78 lakh besides losing interest on the advance payments made.

4.4 Avoidable extra expenditure of ₹ 4.78 crore due to failure to avail concessional electricity tariff by C-DAC Pune

Though C-DAC, Pune obtained registration as ITES unit from Directorate of Industries, Pune in 2005, they did not pursue for revalidation after 2008 and failed to avail the eligible concessional electricity tariff resulting in avoidable extra expenditure of ₹ 4.78 crore towards electricity charges during 2010-11 to 2014-15 in respect of hired buildings[20] at Pune.

Centre for Development of Advanced Computing (C-DAC) Headquartered at Pune, has its offices/units in hired accommodations in Pune. C-DAC, Pune was granted registration as IT Enabled Services (ITES) unit under the category "IT Solutions Providers / Implementers" in 2005 by Joint Director of Industries, Pune Region.

In terms of Maharashtra IT / ITES policy, 2009, the IT / ITES units will be supplied power at industrial rates applicable under the Maharashtra Electricity Regulatory Commissioner's tariff orders and will be exempt from payment of Electricity duty.

According to guidelines issued by Maharashtra State Electricity Distribution Co. Ltd., (MSEDCL) in Circular No. 212 dated 01 October 2013, the HT consumers (IT Parks) shall apply to MSEDCL for individual connections for IT / ITES units situated in IT Park with valid LOI / Registration certificates. If the HT consumer (IT Park) does not want to take individual connections as indicated above for IT / ITES units situated in IT Park, then said HT consumer shall apply to MSEDCL for Distribution Franchisee (DF) (through MOU route). In such case, the supply will be governed by terms and conditions of DF agreement.

Audit scrutiny of records in C-DAC, Pune (November 2014) revealed that all lease and license agreements entered into by C-DAC (Licensee) with the landlords (Licensor) for hiring of premises, contained a clause that "till the execution of tripartite agreement between Licensor, Licensee and MSEDCL, the licensee will pay the appropriate electricity charges as per the electricity bill issued by MSEDCL towards the sub meter for the respective floor which stands in the name of the Licensor and after execution of tripartite agreement, the bill will be received in the name of the Licensee and the Licensee will pay electricity charges to MSEDCL." This indicated that C-DAC was well aware of the electricity concession available to it for which it had provided for tripartite agreement with other parties, viz., landlords and MSEDCL to apply for separate electricity connection in its own name. The landlords also, by agreeing to this clause, had no objection to C-DAC having its own meter and paying electricity bills in its own name. Further as per provisions of Maharashtra

20 NSG IT Park/ Westend Center and Pune University Campus

Electricity Supply Code and other conditions of Supply Regulations, 2005, C-DAC could have applied for electricity connection in its own name by providing No Objection Certificate from the Licensors.

However, C-DAC neither made any effort to obtain electricity connection in its own name nor applied for Distribution Franchisee route for which it was eligible under Maharashtra IT/ITES Policy 2009 to avail concessional tariff at industrial rates. Further, C-DAC did not take any steps to renew the ITES unit registration issued in February 2005 by Directorate of Industries which expired in February 2008.

This led to C-DAC, Pune paying electricity charges at higher rates[21] ranging from ₹ 7.15 to ₹ 9.83 per unit to the landlord of the rented buildings based on readings of sub-meters arranged by them instead of availing concessional tariff at industrial rates ranging from ₹ 3.40 to ₹ 7.01 per unit resulting in avoidable excess expenditure of ₹ 4.78 crore (**Annexure XVI and XVII**) during the period 2010-11 to 2014-15 (up to September 2014) with further recurring effect in respect of hired buildings viz. NSG IT Park / Westend Centre and Pune University Campus.

On this being pointed out (November/December 2014), C-DAC, Pune / Ministry replied (August 2015) that:

i. For availing concessions, the consumer needs to have individual connection under relevant category and the electricity connections for the rented premises were in the name of the landlords and C-DAC was not permitted by any of the landlords for taking individual connection and the tripartite agreement was not the basis to get concessional tariff. The landlords had already installed the required infrastructure like transformer, switch gear etc., for the premises.

ii. As landlords have not taken franchisee with MSEDCL, C-DAC could not have taken individual connection and availed any other tariff other than the tariff paid by the landlords. The electricity bills are issued in the name of landlords as per MSEDCL approved tariff and C-DAC had been reimbursing the charges at the same tariff as charged by MSEDCL.

iii. It was further stated that in respect of hired accommodation at Pune University, the concessional tariff under Public Service category was availed by Pune University and passed on to C-DAC with the exemption from payment of electricity duty. In this case, even if C-DAC applied for individual connection, there would have been nominal saving of one paisa per unit.

21 Tariff applicable under commercial category (NSG IT Park &Westend Center) and tariff applicable to educational institutes/ public services (Pune University).

iv. The matter was referred to Maharashtra State Electricity Distribution Co. Ltd (MSEDCL) during March 2015 which informed that companies requesting for supply for IT / ITES purpose in IT Parks either have to operate through distribution franchises route or take individual connections for each IT unit under relevant tariff category. MSEDCL further stated that as in this case the connection is in the name of the IT Park owner, Industrial Tariff would not be applicable to C-DAC even if C-DAC is IT registered unit.

Reply of C-DAC is not acceptable due to the following:

i. In terms of Maharashtra Electricity Supply Code and Other Conditions of Supply Regulations 2005, C-DAC could have obtained a connection in its own name by obtaining a NOC from the Licensor and thereby availed eligible concessional tariff. Savings from availing concessional tariff would have outweighed the initial infrastructure expenditure in transformer, switch gear etc. in the long run so far.

ii. The reason that the landlords have not taken franchisee with MSEDCL and hence CDAC could not have taken individual connection is not tenable, as in terms of guidelines of MSEDCL, HT consumers were entitled either to operate through franchisee route or take individual connection for each IT unit under relevant tariff category.

iii. The contention of C-DAC that 'there would be nominal saving of one paisa even if individual connection was taken in respect of Pune University' was factually incorrect as the difference of one paise was worked out after adding electricity duty @ 17 *per cent* to industrial tariff. Since IT / ITES units are exempted from paying electricity duty alongwith concessional industrial tariff as per IT and ITES policy of Government of Maharashtra, the actual difference per unit between tariff of Public Service category and Industrial tariff during period April 2010 to September 2014 worked out ₹ 1.20 to ₹ 4.97 per unit.

Thus, the failure of C-DAC management to make an effort to avail the eligible concessional electrical tariff as per Maharashtra IT / ITES policy 2009 resulted in avoidable expenditure of ₹ 4.78 crore towards electricity charges during the period 2010-11 to 2014-15 (upto September 2014) with further recurring impact in the future.

4.5 Deficiencies in regulation of personnel and establishment matters

C-DAC Pune violated various provisions of not only Staff Rules based on Government of India rules approved by its Governing Council but also GFRs and FR&SRs. This resulted in irregular extension of leased accommodation facility to its ineligible employees, excess payment of gratuity, irregular payment of honorarium to internal faculty in contravention of Management Board's directions, irregular provision of gifts to staff, lack of transparency in hiring of consultants for technical / project works and abnormal expenditure on engagement of a legal consultant.

As per General Financial Rule 209 (6) (iv) (a), all grantee institutions or organizations which receive more than fifty *per cent* of their recurring expenditure in the form of Grants-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Central Government. In exceptional cases, relaxation may be made in consultation with the Ministry of Finance (MoF).

Audit scrutiny (November – December 2014) revealed that C-DAC is receiving more than fifty *per cent* of their recurring expenditure in the form of Grants-in-aid from Central Government and has its own Staff Rules approved by the Governing council, however, in several areas of personnel and establishment matters, C-DAC Pune deviated from its own Staff Rules[22] and Government of India (GoI) rules which resulted in excess / irregular/ avoidable expenditure to the tune of ₹ 9.29 crore as discussed in succeeding paragraphs.

I. Excess payment due to extension of leased accommodation facility to ineligible employees.

Ministry of Finance, Department of Expenditure delegated (May 2009) powers to Ministries/ Departments which would be competent to sanction hiring of residential accommodation only for the Chief Executives of the autonomous bodies subject to certain ceilings[23].

Audit noticed (December 2014 / August 2015) that C-DAC, Pune extended leased accommodation facility (including self-lease) to its employees, other than the Chief Executives, at 40 *per cent* of the pay plus grade pay which was double the house rent allowance of 20 *per cent* payable at Pune without obtaining concurrence of Ministry of Finance (MoF). It is pertinent to mention here that C-MET, Pune which is also a unit under the control of DeitY, did not extend leased accommodation facility to its officials including

22 Staff Rules of C-DAC –October 2006 for service conditions and staff benefits of C-DAC employees framed under the bye-laws for administration and management of the society

23 In respect of 'Y' class cities, Ministries/Departments can hire accommodation ranging from ₹18400 to ₹ 32000 per month for Chief Executives with Grade Pay of ₹8700 and above. C-DAC, Pune however did not even follow the ceiling limit prescribed by the MoF.

24 The Act provides for a scheme for payment of gratuity to employees engaged in factories, mines, oil fields, ports, shops and other establishments.

its Chief Executive. Extension of leased accommodation facility to ineligible officials of C-DAC, Pune in violation of GFRs and orders of MoF resulted in excess payment of ₹ 6.09 crore (**Annexure-XVIII**) during 2010-15.

C-DAC, Pune did not offer its views / comments on the audit observations so far.

II. Excess payment of gratuity.

Staff Rules (Service Conditions and Staff Benefits) 2006 of C-DAC provide that its employees shall be eligible for gratuity as per Gratuity Scheme as applicable to employees of Government of India effective from 01 January 2006. Scrutiny of gratuity payments of CDAC Pune unit during December 2014 however revealed that C-DAC paid gratuity to its employees as per provisions of Payment of Gratuity Act[24], 1972 which is applicable to non-government servants. Gratuity was paid in excess of ₹ 10 lakh being the maximum gratuity payable under CCS (Pension) Rules which is also against the provisions of Staff Rules. Gratuity was also paid to the employees who resigned and were not eligible for gratuity as they had not completed minimum qualifying service under CCS (Pension) Rules 1972 for the purpose of gratuity. This had resulted in excess payment to the tune of ₹ 0.40 crore for the officials superannuated/ resigned between March 2006 and June 2013 as detailed in (**Annexure –XIX**).

It was replied (December 2014) that as per Memorandum of Association and Recruitment Rules (MoARR) of C-DAC, Gratuity was payable to all the employees on resignation / retirement and the same was to be calculated at $^{15}/_{26}{}^{th}$ of the monthly emoluments for each completed year of service and subsequent to the amendment, gratuity was paid as per gratuity scheme applicable to government employees.

Reply of C-DAC is not acceptable as the same was not in conformity with the C-DAC Staff Rules which are effective from 01 January 2006 and thereby with CCS (Pension) Rules 1972 of Government of India.

III. Irregular payment of honorarium to internal faculty.

As per Fundamental Rules (FRs), honorarium is defined as a recurring or non-recurring payment granted to a government servant as remuneration for special work of an occasional or intermittent character. Competent authority may grant or permit a government servant to receive an honorarium as remuneration for work performed, which is of occasional or intermittent character and is either so laborious or of such special merit as to justify a special reward subject to a maximum of ₹ 5000 per annum to an individual in a financial year.

C-DAC offers its various training programmes through its own training centres, Pune centre being one of them. There was no provision for payment of honorarium to the internal faculty. Further, C-DAC Management also decided (October 2013) not to pay honorarium to internal faculty.

Audit scrutiny during November 2014 however revealed that:

- C-DAC Pune paid honorarium of ₹ 53.75 lakh during 2009-10 to 2013-14 **(Annexure XX)** in excess of the ceiling limit of ₹ 5000 per annum to 62 officials (as internal faculty).
- The highest amount paid to an individual during a financial year (2010-11) was ₹ 3.51 lakh in excess of ₹ 5000 (Shri Ashish Kuvelkar, Internal Faculty).
- Out of the total excess paid honorarium of ₹ 53.75 lakh, ₹ 13.50 lakh (25.93 *per cent*) was paid to only one individual official (Shri Ashish Kuvelkar, Internal Faculty).
- C-DAC did not furnish the details of honorarium paid during 2014-15 and did not confirm whether payment of honorarium in excess of the ceiling limit is still being continued or not.
- Thus, payment of honorarium in violation of provisions of FRs, ignoring the direction of the Management Board, without provision in the delegation of powers resulted in excess/ irregular payment of ₹ 53.75 lakh.

C-DAC Pune replied (December 2014) that honorarium was considered for income tax purpose by adding it to the salary income. However, the reply was silent on payment of honorarium in excess of the prescribed limit, payment of honorarium without delegation of powers and payment of the same in contravention to the directions of the Management Board.

IV. Provision of gifts to employees resulted in irregular expenditure.

Audit noticed (July 2013 and April 2015) that C-DAC Pune incurred expenditure of ₹ 1.08 crore for providing gifts[25] to its employees during 2010-11 to 2014-15. It was also observed that expenditure on procurement of gifts was met from the core grant sanctioned for mission projects which was in violation of the provisions of GFRs as incurring of expenditure from the grant should be for the purpose for which it was granted. Audit observed that there is no provision in the Staff Rules of C-DAC / GoI rules and regulations for providing gifts to Government employees. Further, gifts provided to staff by C-DAC does not fall under the list of amenities mentioned under Rule 215 (1) (iii) of GFRs. Thus, incurring expenditure of ₹ 1.08 crore towards gifts to employees is irregular.

25 Gifts such as Electric cooker, Dinner set, Mixer / Grinder, Fashion bags, Blankets, Sandwich toaster, Cutlery, Suitcase, Vacuum Cleaner etc.,

C-DAC replied (July 2013 and April 2015) that the expenditure is incurred from the grants released by DeitY under Mission Projects and the same are accounted for as staff welfare expense and payments were made with the approval of Director General, C-DAC.

Reply is not acceptable. C-DAC did not provide proper authority under which gifts could be provided to its employees. Charging such kind of expenditure to Mission Projects is irregular as funds allotted for Mission Projects should be utilized for the purpose for which they were sanctioned / allotted.

V. Lack of transparency in hiring of consultants for technical / project works

It was noticed in Audit (December 2014) that C-DAC Pune incurred ₹ 3.50 crore on hiring of 48 consultants for technical / project works during May 2009 to October 2014. Out of which 18 consultants (expenditure ₹ 1.38 crore) were hired on Head of the Department's request and two consultants (expenditure ₹ 0.08 crore) were identified as per requirement. Mode of selection of four consultants (expenditure of ₹ 0.42 crore) was not available and the remaining 24 consultants (expenditure ₹ 1.62 crore) were stated to be hired based on interviews. C-DAC Pune did not furnish any evidence of issue of advertisements and following due selection process for hiring the consultants.

Thus, there was no transparency in hiring of consultants for technical / project works and incurred ₹ 3.50 Crore which was in violation of orders of GoI and provisions of GFRs.

VI. Abnormal expenditure on engagement of a legal consultant.

C-DAC Pune has a Legal Division headed by Head, Legal and Contracts assisted by three to four legal consultants. As per the information made available to Audit, 11 legal cases (three court cases and eight CAT cases) were pending as on 17 November 2014. All the cases relate to establishment matters such as applicants challenging suspension (three similar cases), applicants challenging pay fixation (three similar cases) etc., and there were no cases pending either at High Court or at the Supreme Court.

In view of the above, there was no scope for major expenditure towards legal fee. Audit scrutiny however revealed that during 2013-15 (up to November 2014), C-DAC Pune paid ₹ 1.18 crore (**Annexure –XXI**) to legal consultancy firm M/s Pavan Duggal Associates towards legal consultancy charges for advice on various challenges and issues consuming C-DAC (₹ 55.67 lakh), advice on RTI queries (₹ 24.42 lakh), advice on legal conference (₹ 13.58 lakh) and advice on other miscellaneous matters[26] (₹ 24.08 lakh). It was also observed that fees paid to legal consultant were at very high rates ranging between ₹ 16666 to ₹ 25000 per hour. C-DAC, neither explored utilizing the services of standing / panel counsels available in Pune nor limited the fees/remuneration to those notified by Ministry of Law and Justice (MoLJ).

26 Advice on CCS (CCA) Rules, Amendments to Criminal Law Act, drafting of the template for presenting officers in IE proceeding, reasonable security practices and procedures to be adopted for data and information in the electronic form, employee sensitization about the Sexual Harassment on Women at work place (Prevention, Prohibition and Redressal Act 2013) etc.

Audit also observed that C-DAC engaged the private legal consultant without prior approval of the MoLJ, GoI which was in violation of the instructions issued (November 2002 and January 2015) by MoLJ. The fee / remuneration to the legal consultants are to be regulated as per the rates notified by MoLJ from time to time which was also not followed by C-DAC. It was observed that as per the instructions (September 2011) of MoLJ, maximum fee payable to the standing / panel counsels for attending hearing even at Supreme Court is ₹ 9000 per day. Whereas, C-DAC paid fee to the legal consultant at rates ranging up to ₹ 25000 per hour that too without any specific requirement. C-DAC did not furnish basis of appointment of legal consultant. Further, CDAC also did not furnish the details of payments made to the legal consultant for the period up to March 2013 and from November 2014 onwards and approval of competent authority for approaching the legal consultant in each case.

C-DAC replied that professionals like doctors, lawyers are not selected / engaged by way of advertisement but they are hired based on their expertise / specialization / reputation. It was also stated that due to increasing trend of RTI applications it was felt necessary to consult legal consultants to safeguard its legal interests. It was further stated that MoLJ circular regarding engagement of private advocates was not applicable to C-DAC which is free to engage private advocates.

Reply is not tenable as despite having a full-fledged legal wing, C-DAC incurred expenditure on hiring of a legal firm against the various orders of the GoI/ GFRs and also against the canons of financial propriety. The rates adopted are very high. C-DAC did not avail the services of Standing Counsel/panel available in Pune.

Thus, C-DAC Pune violated various provisions of not only Staff Rules based on Government of India rules approved by its Governing Council but also GFRs and FR&SRs. This lapse on the part of C-DAC resulted in excess / irregular / avoidable payment.

Ministry's reply is awaited (November 2015).

4.6 Avoidable and unfruitful rental expenditure due to abnormal delay in completing the interior furnishing work for hired accommodation

ERNET India hired accommodation from M/s Delhi Metro Rail Corporation in August 2010. Though work order was issued in June 2012, the works could not be completed as of March 2015. As a result ERNET continued functioning in the hired accommodation and paid rent of ₹ 5.52 crore between April 2011 to December 2014. An additional avoidable rental expenditure of ₹ 7.17 crore on hiring of accommodation was also incurred during the period from August 2010 to December 2014.

Education and Research Network (ERNET)[27] India hired a space of approximately 700 sq.m from Delhi Metro Rail Corporation (DMRC) in February 2010 for which a lease

27 ERNET India was established in 1998 as an autonomous scientific society under the DeitY

agreement was signed in August, 2010. Later, in April 2011, ERNET India requested DMRC to consider allotment of about 1858.1 sq.m area in replacement of existing allotted space with a view to shift all its office and operational activities under one roof. A revised lease agreement was signed between ERNET and DMRC in August 2011 for 1869.109 sq.m super built up area at DMRC IT park building, Delhi. The revised lease agreement, stipulated as following:

(i) A monthly license fee (rental) of ₹ 675 per sq.m plus applicable service tax and surcharge thereon had to be paid to DMRC. This was to be revised by 15 *per cent* of the license fee at the end of each term of three years.

(ii) Initial tenure of the license was for six years and ERNET had deposited a sum of ₹ 1.51 crore towards interest free security deposit.

(iii) A monthly amount of ₹ 1.81 lakh plus applicable service tax was to be paid towards maintenance of common facilities and parking charges extra.

(iv) Clause 11 of the agreement stipulates that licensee will take approval of all interior partitioning plans before execution of the work.

ERNET floated (July 2011) a tender for interior furnishing work for the rented space and Purchase Order for ₹ 1.61 crore was issued to M/s Woodfun Interiors & Decorators in June 2012. The Purchase Order stipulated that the entire work was to be completed in all respects within 90 days of the issue[28] of the Purchase Order. In case of delays the contractor was to pay liquidated damages (LD)[29] at one *per cent* of the contract value of the non-completed works per week subject to a limit of 10 *per cent* of the contract value.

Audit scrutiny (February 2015) of the records of ERNET revealed that:

a. Only 50 *per cent* work was completed till June 2013 at an expenditure of ₹ 65.41 lakh against the total project cost of ₹1.60 crore.

b. In the process of partitioning work, DMRC did not allow laying of PVC pipes and insisted for GI Pipes which was not a tendered item. This resulted in delay in finalization of rates of GI pipes which led to granting of four extensions to the contractor for completion of the work without LD charges. The contract was cancelled in October 2013.

c. ERNET continued to pay the rent (license fee) despite non-occupance of the hired accommodation even after a lapse of four years from the date of possession. An amount of ₹ 7.17 crore was paid to DMRC from August 2010 to December 2014

28 Clause 21 of the Purchase Order

29 Clause 16 of the Purchase Order

towards rent, maintenance, and electricity and water charges. Further, ERNET also incurred an amount of ₹ 5.52 crore between April 2011 and December 2014 on account of hiring charges of the present accommodation.

On this being pointed out by Audit (September 2015), the Ministry stated (November 2015) that rent paid to DMRC, a Government organization cannot be said as loss to exchequer. It was also stated that extensions were granted to the contractor many times without invoking LD charges because ERNET India was keen to get the work completed to enable it to shift in DMRC building and after ascertaining the failure of contractor, the contract was cancelled on 25 October 2013. It was also stated that contractor declined to supply GI pipes for fire systems at the price quoted under civil works as GI pipes were not included as tender item in the electrical works which resulted in certain unavoidable delay. It was also intimated that LD charges had been claimed during arbitration process.

The reply of the Ministry is not acceptable. Payment of rent to DMRC is unfruitful expenditure as the space allotted had not been occupied by ERNET due to non-completion of partition work even after four years from the date of hiring. Further, as per Clause 11 of the license agreement, ERNET had to take prior approval of DMRC before undertaking all interior partitioning work. However, this was not done which resulted in DMRC objecting to laying PVC pipes and insisted for GI Pipes instead. This also led to delay in completing the work and cancelling the work order issued to the firm.

Thus poor management / indecisiveness of ERNET led to unfruitful and avoidable expenditure of ₹ 7.17 crore. Even after more than four years from the date of signing of the lease agreement, ERNET was unable to utilize the hired space.

4.7 Non-levy of penal interest

Non-levy of penal interest of ₹ 0.67 crore by Electronics Regional Test Laboratory (ERTL), Kolkata, Electronics Test and Development Centre (ETDC) Bangalore and Jaipur under STQC Directorate on their Bankers for delayed remittance of Government receipts into Central Government Account (Consolidated Fund of India).

The Standardisation, Testing and Quality Certification (STQC) Directorate, an attached office of the Department of Electronics and Information Technology (DeitY) Government of India, provides quality assurance services in the area of Electronics and Information Technology through a countrywide 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.

Rule 8 of Preliminary and General Principles of Central Government Accounts (Receipts & Payments) states that immediately on receipt of government revenues, receipts or dues, the receiving branch of the bank shall cause them to be included in the deposits of the Government held by the Reserve Bank of India (RBI) in accordance with provisions of Rule 3, which stipulates that unless otherwise specified, moneys credited to Government account shall be held either in the RBI or in a central treasury, the cash business of which is not conducted by the bank.

As per RBI letter dated January 2007, the period of delay in transaction of ₹ 1 lakh and above shall attract delayed period interest at Bank Rate plus two *per cent*. Further for the transaction below ₹ 1 lakh each, the delayed period interest shall be the Bank rate for delays up to five calendar days and above five calendar days at the Bank rate plus two *per cent* for the full period of delay. The Bank rate will be the rate as being notified by the RBI from time to time.

Audit scrutiny of bank statements for the period January 2009 to March 2015 in respect of current account[30] opened by STQC units viz. ETDC Bangalore, ETDC Jaipur and ERTL Kolkata for remitting Government dues, revealed that the STQC units were remitting daily receipts received on account of IT Services and STQC to their Current Accounts opened at respective Banks in their city. The receipts remitted to the Bank on a daily basis were required to be credited by the Bank in Central Government Accounts immediately. However, the same were remitted by the Banks partially once or twice in a month keeping the majority of the receipts in the Bank account itself. This was in contravention of the applicable clauses of Receipts and Payments Rules and hence attracted penal interest of ₹ 0.67 crore for the period from January 2009 to March 2015 (**Annexure-XXII**). This has resulted in loss of revenue to Central Government by the same amount.

On this being pointed out by audit (September 2015), Ministry stated (November 2015) that steps have been initiated to prevent such lapses. ERTL Kolkata unit replied that necessary correspondence had been made with the respective Banks to remit the penal interest to Consolidated Fund of India. Similarly, ETDC Bangalore and Jaipur replied that letters had been sent to the Manager, Bank of India, Bangalore and Bank of India, Jaipur respectively to pay the due interest for delayed remittance of Government receipts by the Bankers to Central Government Accounts.

However, the fact remains that due to lack of proper monitoring by the STQC units, the concerned Banks delayed the remittance of Government money and used the funds without paying any interest to Government. Therefore, they are liable to pay penal interest of ₹ 0.67 crore to the Government.

30 No interest paid on deposit.

CHAPTER-V
PUBLIC SECTOR UNDERTAKINGS UNDER THE MINISTRY

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

Mahanagar Telephone Nigam Limited (MTNL)

Mahanagar Telephone Nigam Limited (MTNL) was set up in 1986, under the Companies Act, 1956 as a wholly owned Government Company and is responsible for the control, management and operation of telecommunications networks in Delhi and Mumbai. MTNL is the principal provider of fixed line telecommunication service and GSM mobile services in these two metropolitan cities. MTNL is also providing dial up internet services in Delhi and Mumbai under separate non-exclusive license agreement. It is also providing broadband and 3G services. MTNL's turnover was ₹ 3787 crore and earned a profit[1] of ₹ 7825 crore during the year 2013-14[2].

Bharat Sanchar Nigam Limited (BSNL)

Bharat Sanchar Nigam Limited (BSNL), fully owned by Government of India, formed in October 2000, provides telecom services across the length and breadth of the country excluding Delhi and Mumbai. BSNL is a technology oriented company and provides various types of telecom services namely telephone services on landline, WLL and GSM mobile, Broadband, Internet, leased circuits and long distance telecom service. BSNL had a turnover of ₹ 27996.35 crore and incurred a loss of ₹ 7019.76 crore during the year 2013-14[3].

Indian Telephone Industries Limited (ITI Ltd.)

ITI Limited is India's pioneering venture in the field of telecommunications. ITI started its operations in Bengaluru in 1948, which were further extended to other areas by setting up manufacturing plants at Srinagar in Jammu and Kashmir, Naini, Rae Bareli and Mankapur in Uttar Pradesh and Palakkad in Kerala. The company had a turnover of ₹ 745.79 crore and incurred a loss of ₹ 344.26 crore during the year 2013-14[4].

Telecommunications Consultants India Limited (TCIL)

Telecommunications Consultants India Limited (TCIL), fully owned by Government of India, was set-up in 1978 with the main objective of providing world class technology in all

1 The profit is mainly due to writing back provision of pension and gratuity of government employees absorbed in MTNL in view of DoP&PW notification no. GSR 138 (E) dated 3 March 2014 and also writing back amortised amount of BWA Spectrum consequent upon GoI decision to refund the one-time entry fee for BWA Spectrum

2 Annual Report of MTNL for the year 2013-14

3 Annual Report of BSNL for the year 2013-14

4 Annual Report of ITI for the year 2013-14

the fields of telecommunications and information technology, to excel in its operations in the overseas and domestic markets by developing proper marketing strategies and to acquire state-of-the-art technology. The company earned a profit of ₹ 14.75 crore on a turnover of ₹ 816.52 crore during the year 2013-14[5].

Bharat Broadband Network Limited (BBNL)

Bharat Broadband Network Limited (BBNL), a special purpose vehicle (SPV) has been incorporated in 2012 under the Companies Act, 1956 to execute National Optical Fibre Network Project (NOFN). BBNL has been given responsibility to connect approximately 2.50 lakh Gram Panchayats (GPs) of the country through Optical Fibre utilizing existing fibers of PSUs viz. BSNL, RailTel and Power Grid and laying incremental fibre wherever necessary to bridge the connectivity gap between Gram Panchayats and Blocks, which would ensure broadband connectivity with adequate bandwidth. The company earned a profit of ₹ 1.78 crore on a turnover of ₹ 8.40 crore during the year 2013-14[6].

Media Lab Asia

Media Lab Asia is a 'not for profit' company set up under Section 25 of the Companies Act, 1956 with an objective to bring the benefits of ICT to the common man. The application areas of Media Lab Asia include use of ICT for Healthcare, Education, Livelihood and Empowerment of Disabled. The company works with leading institutions for undertaking development work. The Company earned ₹ 54.74 crore during 2013-14 out of which ₹ 54.64 crore was received through Grant-in-aid. An amount of ₹ 0.91 crore was transferred from Reserve for Fixed Assets during the year.

National Informatics Centre Services Inc. (NICSI)

National Informatics Centre Services Inc. (NICSI) was set up in 1995 under Section 25 of the Companies Act, 1956 under National Informatics Centre to provide total IT solutions to the Government organizations. The main objectives of NICSI are to provide economic, scientific, technological, social and cultural development of India by promoting utilization of Information Technology. The Company earned income of ₹ 612.90 crore and surplus after tax during the year was ₹ 36.10 crore.

Audit findings noticed during the year are discussed below.

5 Annual Report of TCIL for the year 2013-14
6 Annual Report of BBNL for the year 2013-14

5.1 CDR Based Convergent Billing and Customer Care System in BSNL

Introduction

Bharat Sanchar Nigam Limited (BSNL) proposed (June 2002) implementation of Call Detail Records (CDR) based Customer Care and Convergent Billing system exclusively for Landline and Broadband services with an objective to consolidate all billing centers located at respective Secondary Switching Areas (SSAs) in four zonal Centers and to migrate from meter based billing system to CDR based billing system. BSNL floated (August 2006) a combined tender for CDR, Project-1 covering South and East zones and Project-2 covering North and West zones. Scope of the Tender was Designing, Planning, Supply, Installation, Customisation, Commissioning, Training, Operation and maintenance of End-to-End CDR based Customer Care and Convergent Billing System. BSNL awarded (June 2007) the work of billing solution under Project-1 (South and East Zones) to M/s. HCL and Project-2 (North and West zones) to M/s. TCS Ltd. The work of Storage Access Network was awarded (July 2007) to M/s. Wipro Ltd. The implementation of the Project was completed in all 334 SSAs in April 2012.

5.1.1 Planning, Procurement and Implementation of the Project

Audit scrutiny of the records revealed the following shortcomings in procurement and implementation of the project:

5.1.1.1 Delay in implementation of IOBAS resulted in avoidable ependiture of ₹ 18.77 crore

The CDR based Customer Care and Convergent Billing System included Inter Operator Billing and Accounting System (IOBAS). IOBAS was required to calculate the settlement amounts between various service providers/operators based on CDRs at a Point of Interconnect (POI). For carrying out the agency based model solution for IOBAS, BSNL entered into contract (March 2005) with three Application Service Providers (ASPs) viz. M/s. Satyam Computers for South and East zones, M/s. Tech Mahindra for North zone and M/s. HCL Info Systems Limited for West zone. As and when the IOBAS module of CDR project was ready, the entire operations being performed at the data centres of ASPs were to be shifted to the CDR Data Centres. The System Integrators (SIs) of CDR Project viz. M/s. TCS and M/s. HCL Info Systems Limited were to migrate the existing IOBAS systems from the ASPs model to the CDR based billing system. The target date for roll-out of CDR as per the Schedule furnished in the Advance Purchase Order was 05 December 2008. Audit observed that the IOBAS in CDR billing package was implemented in March 2011 after a delay of 27 months. The delay in implementation of IOBAS forced BSNL to extend the contract with all the three ASPs up to March 2011. This resulted in avoidable expenditure of ₹ 18.77 crore towards IOBAS charges paid to the ASPs for the period from January 2009 to March 2011 as detailed below:

Sl. No.	Particulars	Amount (₹ in crore)
1	Average monthly expenditure for 2008-09: (₹ 96.48 lakh for 3 months)	2.89
2	Average monthly expenditure for 2009-10: (₹ 78 lakh for 12 month)	9.36
3	Actual expenditure incurred during 2010-11	6.52
	Total	**18.77**

BSNL replied (August 2015) that the CDR project was a very complex project in design and implementation and it was difficult to anticipate all the challenges faced by IT teams at the time of conceiving the project. The time lines were very stringent. However, applicable penalties have been recovered from the vendors by paying authorities. BSNL further stated that if it was considered that IOBAS system would have gone live from December 2008, BSNL would have incurred an approximate expenditure of ₹ 18.83 crore on AMC and O&M for IOBAS during the period.

The reply is not acceptable as the tender document was prepared by BSNL after taking into account all the challenges and complexities involved and timelines were fixed. The SIs were aware of the complexities involved and they have accepted the tender after a detailed study. The reply that BSNL would have incurred an expenditure of ₹ 18.83 crore on AMC and O&M for IOBAS during the period is not based on facts as it is only an approximate and hence, is not acceptable. The reply has to be viewed with reference to the fact that delay in completion of the project deprived BSNL of the benefits envisaged from the completion of CDR project besides having to depend on the ASPs for IOBAS.

5.1.1.2 Fixation of Warranty dates

Clause 10.2 of Special conditions of Tender stipulated that the Warranty of all the Stores, Equipment, Software, Services etc., supplied or delivered for the project starts from the date of completion of roll-out phase i.e. the day when all the SSAs in the zone pair have been successfully rolled out to the new billing system. The dates of last roll-out of SSA under Project-1 (South and East zones) was Bangalore SSA on 23 April 2012 and under Project-2 (North and West zones) Vadodara SSA on 28 March 2012. As per the tender condition, the warranty was to be effective from 23 April 2012 for Project-1 and 28 March 2012 for Project-2. In violation to the tender conditions, Audit observed that BSNL Board approved (January 2013) the warranty start date as 01 April 2011 for South, East and North

Zones and 15 January 2011 for West Zone. The preponing of warranty by one year resulted in additional cost of ₹ 17.56 crore towards AMC (₹ 15.29 crore for South-East Zone and ₹ 2.27 crore for North-West Zone).

BSNL replied (August 2015) that the proposal for start of warranty of CDR system SSA equipment was discussed by the Management committee in detail. The committee, keeping in view that they needed support from SIs to maintain the CDR network and in order to have common date for start of warranty of SSA equipment, decided that the start date could be on the date by which more than 50 *per cent* of the SSAs have gone live (either CDR or IOBAS) or have been Acceptance Tested. Decision for fixing warranty date was taken by the BSNL Management based on facts and detailed analysis, in the interest of project continuance and had benefitted BSNL in number of ways. The Management further stated that the SIs had demanded for starting of warranty from June 2008 for Proof of Concept Phase equipments and from June 2009 for roll-out Phase equipments.

The fact remains that commencing the warranty when the roll-out work was in progress was in violation of Tender Conditions and resulted in extending undue benefit to the SI besides extra expenditure of ₹ 17.56 crore.

5.1.1.3 Irregular tie-up among vendors in violation of Tender Conditions

As per Clause 6.4.2 of Section-IV-E of Tender document, there shall be two separate billing application software solutions for two projects. Clause 6.5 stipulated that in the event of any of the eligible bidders not agreeing to supply the equipment or not being considered by BSNL for placement of order, ranking of the bidders was to be recast so that the same bidder would not be awarded contract for both the projects. This condition was to ensure that bidders executing the projects remained different for both the projects i.e. CDR Project-1 and CDR Project-2. Audit scrutiny of the records revealed that in violation of the above provisions, the vendors M/s HCL and M/s TCS entered into an agreement with each other to the effect that the Hardware part of both the projects would be executed by M/s. HCL and the Software part of the work would be executed by M/s.TCS for all the four zones. This defeated the very purpose of the conditions in the tender that there shall be two different software solutions and two different vendors for both the project areas.

BSNL replied (August 2015) that

(i) it was done to ensure timely completion of the project and optimise the resources at hand;

(ii) the O&M activities are managed by respective SIs only.

The reply is not tenable as ordering the execution of work to a different vendor was in violation of the tender conditions and did not protect the interests of BSNL. BSNL's overdependence on a single vendor would expose the company to risk in case of withdrawal of support by the single vendor and hence, the tender stipulated that the vendors should be different for both the projects.

5.1.1.4 Avoidable expenditure of ₹ 8.80 crore on excess procurement of MTEs

Clause 7.1 of Section VI–I of Tender Document furnished the technology wise number of switches in each billing centre and as per the details furnished therein, there were 203 E10B exchanges in BSNL. E10B exchanges were to be connected to CDR project through Magnetic Tape Emulators (MTEs). The Advance Purchase Order placed (June 2007) on M/s HCL and M/s TCS included supply of 210 MTEs. As per reply of BSNL ITPC, Pune (February 2015), the quantity was amended to 162 based on the firm requirement given by the SSAs/Circles. Audit scrutiny of the records revealed that only 43 MTEs were utilised and the remaining 119 MTEs were rendered idle as detailed below:

Zone	APO Qty	MTEs procured	MTEs utilised	MTEs lying idle	Rate per unit	Total cost of spare MTEs (In ₹)
South	57	46	23	23	1103621	2,53,83,283
East	40	27	14	13	1114842	1,44,92,946
North	51	43	6	37	576169	2,13,18,253
West	62	46	0	46	583424	2,68,37,504
Total	**210**	**162**	**43**	**119**		**8,80,31,986**

The MTEs were rendered idle as most of the E10B exchanges were closed / decommissioned. Thus, due to lack of coordination between ITPC, Pune and the Territorial Circles / Corporate Office regarding plan of closure / replacement of E10B switches and estimation of the required MTEs, 119 MTEs valued ₹ 8.80 crore were rendered idle.

BSNL replied (August 2015) that requirement of MTEs was only a transitory arrangement to ensure the continuity and timely roll-out of the CDR project as per the switching technology deployed in field. Eventually all MTEs have become redundant with decommissioning of E10B exchanges and transfer of customers to NT switches. Actual requirement was 210 whereas only 162 were procured. Thus, there was a saving of ₹ 4 crore.

The reply is not acceptable as the actual requirement of MTEs should have been ascertained taking into account the decommissioning programme of E10B switches from the SSA / Circle / Corporate Office before amending the purchase orders.

5.1.1.5 Partial Implementation of Revenue Assurance and Fraud Management Solution in CDR billing package.

BSNL implemented Revenue Assurance (RA) system to plug revenue leakages. RA system provided for subscriber billing verification method by collecting, collating and reconciling subscriber usage data across billing, mediation, rating and other related applications. RA system had an interface with the Fraud Management System (FMS) and aimed at identifying the revenue leakage points involved in the telecom set up and take corrective action so as to close the same.

The Revenue Assurance and Fraud Management System (RAFMS) were part of the CDR billing system and the System Integrators were to implement/provide all the required RAFMS solutions as per the requirement of BSNL. The total cost involved for both RA and FMS solutions ordered for Project-1 and Project-2 was ₹ 20.92 crore.

It was observed that some solutions have been partially implemented while 31 RAFMS reports were not implemented as detailed below:

RA Reports		FMS Reports	
Customer Reconciliation	4	Usage Fraud Management	5
Usage Reconciliation	9	Subscription Fraud Management	4
Configuration Reconciliation	3		
Call Testing	2		
Alarms and KPI	4		
Total	**22**		**9**

BSNL accepted (August 2015) the fact of partial implementation of RA & FMS applications and issued instructions to SIs to complete the work besides withholding 10 *per cent* of the due amount for RAFMS.

Thus, even after five years from the commissioning of Data Centres during 2010, the RAFMS solution was partly implemented leaving revenue leakage points undetected and defeated the very purpose of implementation of RAFMS at a cost of ₹ 20.92 crore.

5.1.2 System Deficiencies

5.1.2.1 Undue delays in disconnection of defaulting cases due to deficiency in the CDR Billing Package

Clause 3.19.1 of Section VI (J) of tender conditions stipulated that the disconnections (dunning) should be instantaneous. Till the introduction of CDR billing package the disconnections for non-payment of dues were being effected by concerned SSA authorities. In CDR system, the dunning (disconnections) were effected centrally from the respective Data Centres for the SSAs under their jurisdiction. Dunning section of Data Centres was responsible for effecting timely disconnections of defaulting subscribers. The outgoing (OG) bar was to be effected on 35th day of date of issue of bill, in-coming (I/C) bar was to be effected after 50 days of bill date and permanent disconnection was to be done after 90 days from the date of issue of bill. However, it was observed at South and West Data Centres that disconnections were not affected on the same day and delays in disconnections were ranging from one day to sixty three days.

It was replied at Data Centre, Hyderabad that

- Normally in each billing cycle there were around five lakh disconnections including O / G bar, I / C bar, PCO, multiple bills, and VIP disconnections.
- Sometimes, due to system issues, the process could not be scheduled or completed within time as there was constraint of not to run disconnection process simultaneously with other process like Billing, Sub ledger etc.
- The maximum capacity of Clarity application for carrying out suspend orders (Disconnection) was restricted to 45000 only per night (instance).

BSNL replied (August 2015) that no major challenge in dunning was observed / reported by the SSAs.

The reply is not acceptable as the delays in disconnections tantamount to extending the service to defaulting subscribers and resultant increase in accumulation of outstanding revenue. Though the constraint of 45000 suspensions per instance was continuing since inception of CDR billing package, BSNL did not take any steps through the SI to overcome the constraints and follow the rules scrupulously to avoid accumulation of outstanding revenue.

5.1.2.2 Non-billing / delay in billing of IPDR

Internet protocol data / detail records (IPDRs) provide information about broadband service usage and other internet activities. As and when a broadband service was used, IPDRs were generated by National Internet Backbone (NIB) / Network Operation Circle (NOC), Bangalore and transmitted to the respective Data Centres for rating and billing. IPDRs which were 'masterless'[7] were not rated and billed due to

(i) IPDRs generated prior to creation of User ID in billing;

7 Where basic details about the subscriber not available in billing module

(ii) SSAs shifting the customers from P2 server to P3[8] server;

(iii) user ID used in a different zone due to port un-binding;

(iv) Due to technical reasons at NIB/NOC Bangalore on closed connections and

(v) Due to customers not having port-binding.

During audit of Data Centres at West Zone, North Zone and South Zone, 39424 IPDRs were not billed as of January 2015 as detailed below:

Data Centre	Number of IPDRs pending as of January 2015	IPDRs pertaining to Period	Oldest IPDRs
West Zone	5790	April 2013 to May 2014	April 2013
North Zone	22339	April 2012 to November 2014	April 2012
South Zone	11295	January 2012 to November 2014	January 2012

The financial impact could not be quantified as the tariff / rate was based on plans opted by the customers. Data Centre authorities, SSAs and NOC authorities were expected to verify and clear the IPDRs lying unbilled.

BSNL Corporate Office replied (August 2015) that the issue of masterless cases were similar to the issue of unaddressed bills in DOTSOFT system wherein the services were created in the network element but the customer account information was not available in the billing system. Three month old error IPDRs were almost zero. Every month billions of IPDRs were generated and billed successfully. The error count as observed was negligible and insignificant when compared to billions of IPDRs.

The reply is not acceptable as in software solutions the quantity does not matter but the deficiency counts. CDR billing package is a comprehensive package and hence, care should have been taken to provide proper linkage to the accounts of the user in CDRs/IPDRs. Even after five years of implementation of CDR based billing, the system requires manual intervention to identify the proper customer and bill the master less IPDRs.

Conclusion

BSNL has implemented the CDR based billing and customer care solution with a view to face new challenges due to competition, reduce the cost of operations, increase revenue realisation, locate and stop the revenue leakage points besides providing effective and efficient services to customers. Audit noticed deficiencies in planning leading to avoidable expenditure of ₹ 8.80 crore on procurement of MTEs, partial implementation of Revenue

8 P2 is old version and P3 is new version.

Assurance and Fraud Management systems besides non billing/delays in billing of IPDRs. The management should take urgent steps to address these issues and stabilise the CDR billing systems to improve its competitiveness, plug revenue leakages and increase its revenue realisation besides providing a fillip to its Basic and Broadband services.

5.2 Non disconnection of leased services despite non payment

Continuation of leased lines/circuits despite non-payment of dues for more than three years from private/Non Government organizations resulted in accumulation of arrears of ₹ 223.99 crore in six Telecom Circles and one Telecom region.

A leased circuit is a dedicated link provided between two fixed locations for exclusive use by a customer. As per Indian Telegraph Rule (ITR)–501 for leased lines / circuits, initially one year advance rental and installation charges is to be recovered through Demands Notes and for subsequent year annual advance rental is claimed in the bill in the conventional month.

Further, Bharat Sanchar Nigam Limited (BSNL) issued instructions in 2001, which stipulates that demand notice for advance rental was to be issued as per normal procedure payable at least seven days prior to the expiry of the quarter for which payment has already been received. If the users fail to pay the advance rental of the circuits being used, the facility is liable to be disconnected. BSNL Corporate office reiterated the instructions from time to time for timely collection of outstanding dues and disconnection etc. directing the payment to be made by 21st of bill date followed by issue of notice of disconnection giving seven days' time and disconnection of circuits within 35-40 days.

Audit scrutiny of records of six Telecom Circles[9] and one Telecom Region,[10] (December 2014-March 2015) revealed that in respect of 1854 cases, leased circuits were kept open from 90 days to 2697 days (2001-02 till 2014-15) despite non-payment of advance leased rental charges of ₹ 399.38 crore (**Annexure-XXIII**).

On this being pointed out by audit (December 2014- March 2015), the Management at the Circles and the Telecom District while confirming the facts submitted the following reply:

➢ **Maharashtra Telecom Circle** - The outstanding was due to disputes raised by customers. After issuing seven days notice, disconnection orders will be issued.

➢ **Chennai Telecom Circle-** Corporate customers were constantly reminded to settle their dues without resorting to disconnection in view of highly competitive environment.

9 Maharashtra, Chennai, Karnataka, Odisha, UP(E) and Gujarat Telecom Circles
10 Northern Telecom Region

- **Karnataka Telecom Circle** -Outstanding bills were disputed by customers and coordination meetings were being held with clients to solve the issues.
- **Gujarat and UP (E) Telecom Circle / District:** Verification is in process, action/ cancellation will be done as per requirement.
- **Odisha Telecom Circle-** Correspondence has been made with customers to realize the amount and action will be taken against the erring customers.
- **Northern Telecom Region** – Action is being taken to recover the outstanding dues by reconciliation and by issuing defaulter notices to subscriber.

It was also replied by the BSNL Management (Sept 2015) that there is no provision in the system to auto-disconnect the leased circuits for non-payment of rental dues.

Ministry (October 2015) accepted the facts and enclosed the reply of the Management. It further submitted that ₹ 175.39 crore has been realized in five circles[11] after being pointed out by Audit. Recovery position is awaited for Northern Telecom Region and Odisha Telecom Circle.

The replies of the Ministry confirm that despite instructions of Corporate Office, the Circles failed to issue notices and ensure disconnection resulting in non-payment of dues of ₹ 223.99 crore for more than three years.

It is worth mentioning that similar observation in respect of postpaid CMTS connections on crossing threshold limits was also made in CAG Audit Report No. 20 of 2015 but it is evident from facts stated above that BSNL had not been able to evolve a system for auto disconnection for leased circuits as on date.

5.3 Avoidable payment of penalty

Avoidable payment of penalty of ₹ 22.27 crore due to non provision of uninterrupted mobile service on account of improper maintenance of infrastructure sites by BSNL in MP Circle.

Bharat Sanchar Nigam Limited (BSNL) entered into an agreement (May 2007) with Administrator, Universal Service Obligation Fund (USOF) Department of Telecommunications (DoT) as Universal Service Provider (USP) for rendering mobile services in specified Rural and Remote Areas.

Clause 2.3 of financial condition of Part B of the agreement stipulated that a penalty shall be payable by the USP on pro-rata basis on account of prolonged interruption of services due to any reason. As per Clause 2.4, no penalty was payable in case of interruption of mobile

11 Gujarat, UP(E), Maharashtra, Karnataka and Chennai Telephones

services for a period up to seven days in a quarter, penalty @ ₹ 500 per day was payable for interruption in services of more than seven days in a quarter and if the interruption was for 45 days or more in a quarter, penalty was payable for the whole quarter.

BSNL, as infrastructure provider (IP), also signed Service Level Agreement (SLA) with other USP's (October 2008) to ensure round the clock availability of mobile services as per clause 13 of Section VIII (Special Instructions) of the Agreement (Part-A).

Madhya Pradesh (MP) Telecom Circle had 933 sites and BSNL MP Circle had radiated 930 sites out of which there were three USPs (BSNL, Idea and Reliance), 376 sites with two USPs (BSNL and either Idea or Reliance) and 141 sites with BSNL alone as USP. As evident from above, BSNL was both USP as well as IP in 930 sites and as such the responsibility to ensure uninterrupted mobile services rested solely upon BSNL.

Audit observed (October 2012–April 2015) that MP Telecom Circle did not maintain uninterrupted mobile services during the period from June 2008 to December 2013 and Department of Telecommunications (DoT) imposed a penalty of ₹ 19.57 crore and interest of ₹ 2.70 crore for the same as given below:

(Amount in ₹)

Period	Amount of Principal Penalty	Amount of Interest on Principal	Total Penalty
2008-09	395000	210930	605930
2009-10	1731500	629829	2361329
2010-11	24544000	5412491	29956491
2011-12	47842500	5675620	53518120
2012-13	78904500	12057491	90961991
2013-14	42324500	2964884	45289384
Total	**195742000**	**26951245**	**222693245**

MP circle, while confirming the facts, stated that main reasons for interruption of service were non availability of assured power supply, non availability of diesel, fault in Diesel Generator sets, rural and remote landscape with less than three operators being not economically viable due to higher OPEX.

The fact remains that failure of the BSNL management in providing uninterrupted mobile services resulted in payment of penalty of ₹ 22.27 crore to DoT. This could have long term adverse impact on retaining the existing customer as well as increasing the subscriber base to earn more revenue. Further, non-ensuring of uninterrupted mobile service defeated the very purpose of meeting the challenges posed by Private Service Providers of providing quality and prompt service to the mobile subscribers.

5.4 Undue Service Tax liability on Sale of ITC

Failure of Bharat Sanchar Nigam Limited in ensuring the use of ITC meant for Jammu and Kashmir in that state only resulted in BSNL having to absorb the service tax and penalty thereon amounting to ₹ 5.40 crore besides engaging in avoidable litigation.

Bharat Sanchar Nigam Limited's (BSNL) India Telephone Cards[12] (ITC) is a prepaid virtual calling card for making local/STD/ISD calls from any BSNL phone and the calls were charged to the secret number (PIN) specified in the card. The ITC card sold in states other than Jammu and Kashmir included an element of Service Tax while BSNL was exempted[13] from payment of Service tax for services rendered in the State of Jammu and Kashmir. Hence, BSNL was required to ensure that the cards meant for Jammu and Kashmir (J&K) were sold and utilized only within the state of J&K.

BSNL appointed (2007) two E.PIN distributors[14] for printing of ITC cards to be used in the states of J&K as well as other states of the country. The Print Sequential Number (PSN), Serial Number and Personal Identification Numbers (PINs) to be printed on the ITCs were conveyed to the E.PIN distributors in an encrypted form and printed ITCs were delivered to National Internet Back bone for making onward supply to Secondary Switching Areas (SSAs). The Deputy General Manager (Operations), BSNL gets the PINs generated from Service Control Point (SCP), Lucknow, BSNL and the activation of the cards were done by Sub Divisional Engineer {Intelligent Network (IN) Services} Lucknow of BSNL. The cards were sold by Secondary Switching Areas (SSAs) through BSNL franchisees, STD/PCO holders and through Customer Service Centres in their jurisdiction. The card once sold could be used by customer anywhere in India from any BSNL phone.

Andhra Pradesh Telecom Circle and Kerala Telecom Circle signed (2007) agreements on behalf of Corporate Office with two E.PIN distributors for printing, marketing and selling of ITCs. Both the E.PIN distributors executed a non-disclosure undertaking/agreement with Jammu and Kashmir Circle and also rendered an affidavit to the effect that the ITC meant for Jammu and Kashmir would be sold by them in Jammu and Kashmir only through existing BSNL franchisees.

Audit observed (January 2014) that Central Excise Intelligence intimated (May 2009) BSNL that ITC meant for Jammu and Kashmir were being sold in Punjab and Himachal Pradesh Circles by the franchisees without payment of service tax. The fact of sale of ITC meant

12 ITC cards were available in denominations of ₹ 100, ₹ 200 and ₹ 500, had an expiry period of 18 months, were to be used within three, four and five months respectively.

13 As per Section 64 of Finance Act, 1994.

14 M/s Balaji Watch & Mobile Private Limited, Nellore, Andhra Pradesh and M/s Faizal Traders Private Limited, Palakkad, Kerala

for J&K in Punjab and Himachal Pradesh Circles was also confirmed (June 2009) by SSA, Ludhiana. However, BSNL did not initiate any action. Director General, Central Excise Intelligence (DG (CEI)), based on the details of ITC printed for Jammu and Kashmir furnished by SDE, Lucknow, assessed that out of 2398663 ITCs of ₹ 24.00 crore printed and sold by Jammu and Kashmir Circle during the period from 2006-07 to 2009-10, 22,50,143 ITCs valued ₹ 22.50 crore were used outside the state of Jammu and Kashmir. Audit further noticed from the DG (CEI) report that

- M/s Faizal Traders Private Limited, the EPIN distributor, had appointed M/s ELTRONICS as their super stockist in Jammu and Kashmir for sale and promotion of ITCs. The EPIN distributor printed and sold 675000 and 100000 ITCs of ₹ 100 denomination during 2008-09 and 2009-10. Though M/s Faizal Traders Private Limited stated to DG (CEI) that the EPIN distributor had sold 675000 ITCs of ₹ 100 denomination to M/s ELTRONICS, DG (CEI) observed that only 95000 ITCs were purchased by M/s ELTRONICS from M/s Faizal Traders Private Limited. It was also stated by DG (CEI) that ITCs meant for Jammu and Kashmir printed by M/s Faizal Traders Private Limited were being used mainly in and around Kerala and Tamil Nadu.

- M/s Balaji Watch & Mobile Private Limited, the EPIN distributor, had appointed M/s Mahavir Radios, as their super stockist in Jammu and Kashmir for sale and promotion of ITCs. The EPIN distributor printed and sold 195000 and 755000 ITCs of ₹ 100 denomination during 2007-08 and 2008-09. Though a total of 1172000 ITCs were printed by M/s Balaji Watch & Mobile Private Limited, only 135000 ITCs of ₹ 100 denomination and 10000 ITCs of ₹ 200 denomination were purchased by the Stockist. It was also stated by DG (CEI) that ITCs meant for Jammu and Kashmir printed by M/s Balaji Watch & Mobile Private Limited were mainly used outside the state of Jammu and Kashmir.

Due to sale of ITC meant for Jammu and Kashmir in other states, service tax on ITC was not collected. DG (CEI) assessed the amount of service tax not collected as ₹ 2.88 crore. Commissioner, Central Excise and Customs confirmed (March 2012) the demand of Service Tax of ₹ 2.69 crore and also imposed penalty of ₹ 2.69 crore. The Commissioner further stated that if the Service tax of ₹ 2.69 crore along with interest was paid within 30 days of the communication of the order, penalty would be ₹ 0.67 crore. BSNL deposited (March 2013) ₹ 1 crore before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) and filed an appeal. The appeal was pending (October 2015). In this regard, the following observations are made:

- The ITC cards were identified by the Print Sequential Number (PSN). As the activation of ITCs was done by BSNL, adequate internal controls should have been ensured while activating the cards so that ITCs meant for Jammu and Kashmir were activated only in Jammu and Kashmir. Non-ensuring of adequate internal controls resulted in activation of ITC meant for Jammu and Kashmir in other states which resulted in non-payment of Service Tax, imposition of penalty and avoidable litigation.

- As per the agreements entered into with the E.PIN distributors, the Bank Guarantee (BG) was to be valid till the dues of BSNL by virtue of the agreement had been fully paid and its claim satisfied or fully discharged or till BSNL was satisfied that the terms and conditions of the agreement have been fully and properly carried out by the Franchisee. The issue of sale of ITC meant for Jammu and Kashmir in other states was reported in May 2009 itself when the BGs of both the franchisees were valid. However, BSNL did not initiate prompt action to get the BGs extended. The BG of M/s Balaji Watch & Mobile Private Limited for rupees five lakh expired on 31 January 2010 while the BG of M/s Faizal Traders Private Limited for rupees one crore expired on 10 November 2012. Due to non-extension of the BG of the E.PIN distributors, BSNL had to bear the entire loss otherwise some losses could have been recovered from the E.PIN distributors.

- As evident from DG (CEI)'s assessment, 2250143 ITC out of 2398663 ITC meant for sale in Jammu and Kashmir were sold in other states. Thus, commission of ₹ 2.49 crore paid to franchisees for promoting sale of ITC was not in order as the vendors had not sold the ITC in the state of J&K only as per the agreement.

BSNL replied (November 2014) stating that only after receiving the notice from Additional Director, Central Excise Intelligence in December 2010, action was initiated by BSNL, Jammu and Kashmir Circle against the E.PIN distributors. Management further stated that BSNL, Jammu and Kashmir Circle was not the custodian of BG and also there was no mechanism available to check the destination of use of ITC cards.

Ministry in reply (October 2015) stated that no violation came to the notice of BSNL during the currency of the agreement with the E.PIN distributors and once a product / service was sold to consumer, using / consuming that service/product as per the law of land was the duty of the consumers. BSNL could not be held responsible for violation by consumers.

The reply is not acceptable since BSNL was very well aware of the fact that ITC card meant for use in Jammu and Kashmir only was prone to misuse due to lower cost of the cards compared to other states. Further, though SSA, Ludhiana confirmed the misuse of the cards meant for Jammu and Kashmir in June 2009 itself, no corrective action was initiated and internal control mechanism put in place to ensure that the cards meant for Jammu and Kashmir were not activated in other parts of the country. The fact remains that failure to ensure the use of ITC meant for Jammu and Kashmir in that state only resulted in loss to BSNL on account of service tax, interest and penalty thereon besides engagement in avoidable litigation.

5.5 Loss of Revenue due to Delay in Sharing of Towers

Failure on the part of BSNL to take proactive action in sharing the towers with other operators as per the instruction of Corporate Office by upgrading the infrastructure wherever required, resulted in losing an opportunity to generate additional revenue of ₹ 2.83 crore for the period from 2009-10 to 2014-15.

Bharat Sanchar Nigam Limited (BSNL) had sites for erecting towers at various locations to facilitate smooth functioning of its mobile operations. In order to generate additional revenue and to reduce operational cost, BSNL decided (January 2009) to share the spare capacity of passive infrastructure[15] of its towers with other telecom service providers (sharing operators). BSNL Corporate Office issued instructions (May 2009) to the circles to facilitate pro-active action and as per the instructions, the heads of Circles were authorized

- To form separate group exclusively for the purpose of expeditious up-gradation and hiring of BSNL passive infrastructure sites to other service providers;
- To take further steps as may be needed to maximize the sharing of the BSNL's towers and thus maximizing the revenue of BSNL;
- To up-grade the passive infrastructure elements of shareable towers such as battery, power plant, DG set, shelter/space etc.,

BSNL Corporate Office entered (September / November 2009) into Master Service Agreements (MSA) with sharing operators which stipulated that the site agreement would be valid for 10 years from the commencement date with lock-in-period of seven years. The agreement further stipulated that if the sharing operator exited during the lock-in-period, the sharing operator shall be liable to pay BSNL all the unpaid future rentals till seven years.

The MSA had further stipulated the following procedure to be followed before installation of sharing operator's equipment:

- On receipt of site request from other sharing operators, BSNL would convey its acceptance to the sharing operator within two weeks of receipt of such site request as a site proposal.

15 Passive infrastructure element include tower space for mounting antennas for a BTS and also associated passive equipment such as shelter, DG sets, power plant, Air conditioners, earthing and battery bank.

- The sharing operator would issue a service order within one week from the date of site proposal which would be accepted by BSNL within one week thereafter.
- Upon acceptance of Service Order by BSNL, the same would be treated as valid and form part of the agreement. BSNL would make available the Ready for Installation of Equipment (RFIE) sites to the sharing operator within 30 days.
- The sharing operator would be given time period of 15 days from the RFIE date to mount/install its equipments.
- The commencement date would be considered 15 days from the RFIE date and rent would be payable by the operator from the commencement date.

Audit scrutiny of records during January 2015 to June 2015 in eight circles[16] revealed that 297 site requests were received and Service Orders issued during the period from February 2010 to January 2015. It was observed that in these cases, contrary to the stipulated time frame of 45 days from the date of issue of Service order (clause 6.4 & 6.5 of MSA), there were delays ranging upto 643 days in up-gradation of equipments/infrastructure and in commissioning. The details of delays upto 90 days, upto 365 days and more than 365 days in eight[17] circles resulting in loss of revenue to the tune of ₹ 2.83 crore is furnished below:

Sl. No.	Circle	Delay in sharing of towers(beyond 45 days from the date of issue of service order) in days			Amount (₹ in crore)
		10 to 90	91 to 365	More than 365	
1	Andhra Pradesh	9	0	0	0.03
2	Bihar	33	17	1	0.52
3	Karnataka	21	8	0	0.22
4	Madhya Pradesh	16	1	0	0.05
5	Maharashtra	105	28	6	1.40
6	Orissa	23	23	1	0.58
7	Tamil Nadu	4	1	0	0.03
8	Chennai				
	Total	**211**	**78**	**8**	**2.83**

On this being pointed out by Audit, the circles stated that the reasons for delay in sharing of towers were attributable to problems faced in up-gradation of infrastructure viz., battery, power plants, DG sets etc., and delay in completion of Civil Works.

The fact remains that the Circles did not adhere to the Corporate Office (May 2009) instructions to upgrade the required infrastructure. As the delay in sharing of sites was attributed by the Circles to problems faced in upgradation of infrastructure, due to non-

16 Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Chennai, Tamil Nadu.
17 The issue was examined in all the Circles but commented only in eight circles since the amount was not material in other circles.

ensuring that the infrastructure was updated immediately after receipt of site request, BSNL had lost an opportunity to generate additional revenue of ₹ 2.83 crore for the period from 2009-10 to 2014-15. This is all the more imperative at a time when the financial position of BSNL is not very good.

5.6 Irregular Payment of Project Incentive, Transport Allowance, House Rent Allowance and LTC by National Informatics Centre Services Inc to its staff

National Informatics Centre Services Inc (NICSI), a non-profit Section 25 company under National Informatics Centre paid Project incentive of ₹ 2.11 crore, Transport Allowance of ₹ 48.87 lakh, House Rent Allowance of ₹ 16.58 lakh and reimbursement of LTC of ₹ 1.90 crore to its officers who were on deputation from National Informatics Centre during 2010-11 to 2013-14 in contravention of the Ministry of Finance / Department of Personnel & Training / Department of Public Enterprises guidelines.

National Informatics Centre Services Inc (NICSI) was established in August 1995 under National Informatics Centre (NIC), Department of Electronics and Information Technology (DeitY), Ministry of Communications & Information Technology as a public sector company under Section 25 of Companies Act, 1956. NIC is an attached office under DeitY and hence, the employees of NIC were entitled to pay, perks and benefits as applicable to the employees of Central Government. As per the Department of Public Enterprises (DPE) Office Memorandum (O.M.) dated 26 November 2008, the Government Officers on deputation to Central Public Sector Enterprises (CPSEs) will continue to draw salary as per their entitlement in the parent Department. As the employees of NICSI were on deputation from NIC, the aforesaid guidelines was applicable. Therefore, the employees on deputation to NICSI were entitled to pay, perks and benefits as applicable to the employees of Central Government. However, Audit observed that in contravention to the above guidelines, NICSI made the following payments to the deputationists from NIC which were not in order:

i. **Project Incentive -** NICSI paid Project Incentive to the officers / staff on deputation from NIC in addition to Deputation Allowance. The Project Incentive was linked to Profit After Tax earned by the Company and was fixed as 15 *per cent* of Basic Pay plus Grade Pay in case the Profit after Tax was more than ₹ 3 crore but less than ₹ 50 crore and 20 *per cent* of Basic Pay plus Grade Pay in case the Profit after Tax was more than ₹ 50 crore. An amount of ₹ 2.11 crore was paid as Project Incentive for the period from 2007-08 to 2013-14. This incentive was not covered in the guidelines of DPE and hence, was not admissible to employees of NICSI on deputation from NIC.

ii. **Transport Allowance –** As per Service Rules of NICSI, Transport Allowance admissible to its employees on deputation from NIC was fixed as lower of amount equivalent to fixed quantity of fuel or actual consumption as against fixed rates plus Dearness Allowance eligible to Central Government employees. These relaxations / modifications in Service Rules were made without obtaining approval of the Ministry of Finance / Department of Personnel & Training (DoPT) / DPE and resulted in an excess / irregular payment of ₹ 48.87 lakh during the period from January 2011 to March 2014.

iii. **House Rent Allowance** - NICSI relaxed (May 2006) the rules relating to House Rent Allowance (HRA) effective from July 2007 and allowed HRA to be drawn in respect of employees on deputation to NICSI as a percentage of Basic Pay plus Dearness Pay plus Deputation Allowance instead of Basic Pay plus Dearness Pay contrary to the provisions of Government of India orders issued from time to time. NICSI Service Rules prescribed 30 *per cent* of Basic Pay plus Dearness Pay plus Deputation Allowance for Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bangalore while HRA was prescribed as 22.5 *per cent* of Basic Pay plus Dearness Pay plus Deputation Allowance for other cities. These relaxations / modifications in Service Rules were made without obtaining approval of the Ministry of Finance / Department of Personnel & Training (DoPT) / DPE. Inclusion of Deputation Allowance for the purpose of HRA and payment at rates different from that applicable to Central Government employees resulted in excess payment amounting to ₹ 16.58 lakh towards HRA during the period from March 2010 to March 2014.

iv. **Leave Travel Concession** - Service Rules approved (May 2006) by the Board of Directors of NICSI provided that employees of NICSI would be entitled to Leave Travel Concession (LTC) as per the LTC rules applicable to the employees of NIC. As NIC was an attached office under DeitY, the employees of NIC were entitled to LTC as applicable to the employees of Central Government. NICSI amended (September 2010) the Service Rules as per which

- ➢ The employees of NICSI were allowed to travel abroad on All India LTC with the ceiling of entitlement of fare equal to the farthest point in India from employee's Headquarters. The farthest point in India was to be declared at the time of applying for LTC. The amendment resulted in notional claims by the employees of NICSI to the farthest point in India without actually visiting the place declared in 41 cases during the period from 2009-10 to 2013-14.

- ➢ The Service Rules did not mandate travel by Air India flights only as was required mandatorily under the CCS (LTC) rules. Audit observed that employees did not travel by Air India flights even for journeys performed within India in 26 cases during the period from 2009-10 to 2013-14.

- Audit also observed that claims for performing journeys in own cars / taxis were also allowed in eight cases during the period from 2009-10 to 2013-14 which was also in contravention to CCS (LTC) rules.

NICSI allowed ₹ 1.90 crore on the LTC claims for travelling abroad as well as not performing the journeys (even within India) by Air India which was irregular.

Ministry replied (July / November 2015) that:

a. NICSI had a unique setup with all its officers being deputationists from NIC except for its Company Secretary and they continued to draw the same salaries that they would have drawn in NIC without any step up. The minimal number of officers who opt for deputation also bear the heavy workloads which were generated in NICSI as it grows. To attract adequate talent from NIC, payment of incentive was a must and in addition to the Deputation Allowance payable as per rules, a performance incentive named "Project Incentive" and through slight variation in the Service Rules, higher HRA and Transport Allowance was paid to all officers at the same rate considering their team work. NIC, which is the single source of personnel for NICSI, was itself short of staff.

b. The Service Rules of NICSI was approved by its Board of Directors which was headed by the Additional Secretary, DeitY and consists of senior officers both from NIC & DeitY and the entitlement under Service Rules are being mentioned in the 'offer letters' issued to the deputationists and endorsed to NIC which is being accepted by NIC. These incentives were necessary to retain talent in NICSI, which is severely understaffed.

c. Over the years NICSI had been writing to DPE for an exemption from its guidelines on the subject of allowances payable to deputationists, considering the peculiar nature of NICSI where 100 *per cent* officers were on deputation from NIC.

d. DPE had stated that the matter may be resolved in consultation with DeitY, the parent department and meanwhile NICSI had initiated the process of getting its Service Rules ratified by its parent organisations NIC and DeitY.

e. DeitY issued (February 2015) orders for recovery of the irregular payment on account of LTC from the concerned officer / staff. NICSI issued (April 2015) recovery notices to the employees/staff. Hon'ble Delhi High Court vide order dated 06 June 2015 directed NICSI not to take any coercive steps against the employees for recovery of the amount released to them towards LTC. The matter was sub-judice.

The replies are not acceptable for the following reasons:

- The payments towards Project Incentive, Transport Allowance, HRA and LTC claims for journeys abroad were made in contravention of the DPE guidelines which clearly stipulated that Government Officers on deputation to Central Public Sector Enterprises (CPSEs) will continue to draw salary and allowances as per their entitlement in the parent department;

- Prior approval of the parent cadre of the employees was not obtained before making the payments;

- The offer letter to the employees did not mention these benefits;

- The relaxations / modifications in Service Rules were made without obtaining approval of the MoF / DoPT / DPE. Service Rules were forwarded for approval of the Government of India (DeitY) only after being pointed out by Audit.

5.7 Recovery at the instance of Audit

Four circles of BSNL recovered outstanding dues of ₹ 16.04 crore from vendors/ other service providers at the instance of Audit.

Test check of records pertaining to four telecom circles during the period from May 2002 to March 2015, revealed that an amount of ₹ 20.34 crore of non-adjusted / excess paid amount due to non-billing of revised duct charges, excess payment on IMPCS projects, non-adjustment of electricity bills and non-recovery of compensation on defective batteries as detailed in **Annexure-XXIV**, was still to be recovered. On this being point out by Audit, ₹ 16.04 crore had been recovered / adjusted by the respective circles.

5.8 Follow up on Audit Reports - (Commercial)

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

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

- Setting up of a monitoring cell in each Ministry for monitoring the submission of Action Taken Notes (ATNs) in respect of Audit Reports (Commercial) on individual Public Sector Undertakings (PSUs);
- Setting up of a monitoring cell in Department of Public Enterprises (DPE) for monitoring the submission of ATNs in respect of Reports containing paras relating to a number of PSUs under different Ministries; and
- Submission to the Committee, within six months from the date of presentation of the relevant Audit Reports, the follow up of ATNs duly vetted by Audit in respect of all Reports of the CAG presented to Parliament.

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

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

A review of the position of receipt of ATNs relating to M/s Bharat Sanchar Nigam Limited and M/s Mahanagar Telephone Nigam Limited under the administrative control of Department of Telecommunications, Ministry of Communications and Information Technology (MoC&IT) included in the Audit Reports up to the year 2015 revealed that ATNs in respect of 96 paragraphs were pending as of September, 2015 of which ATNs on 13 paragraphs were not received at all, as detailed in the ***Appendix- I.***

CHAPTER-VI
GENERAL

6.1 Follow up on Audit Reports-(Civil)

The Lok Sabha Secretariat issued instructions in April 1982 to all Ministries to furnish notes to the Ministry of Finance (Department of Expenditure), indicating remedial/corrective action taken on various paragraphs contained in the Audit Reports, soon after these were laid on the Table of the House.

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

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

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Civil) up to the year 2015 revealed that ATNs in respect of 24 paragraphs relating to three departments viz., DoP, DoT and DeitY under MoC&IT, were pending as of September, 2015 of which ATNs on five paragraphs were not received at all, as detailed in the ***Appendix- II***.

New Delhi
Dated : 7 January, 2016

(Meera Swarup)
Director General of Audit
(Post and Telecommunications)

Countersigned

New Delhi
Dated : 12 January, 2016

(Shashi Kant Sharma)
Comptroller and Auditor General of India

Annexures

Annexure-I
[Paragraph 2.2]
Statement showing non-realisation of one-time charge in respect of M/s Bharti Airtel Limited

(₹ in crore)

Sl. No	Service areas	Reserve price (2010) for 20 MHz BWA spectrum in 2.3 GHz band	Bandwidth (Mhz) allocated in 3.3 GHz band	Proportion-ate price for Bandwidth allocated in 3.3 GHz band for 20 years	Proportionate price for Band-width allocated in 3.3 GHz band for 5 years upto September 2015
1	Delhi	160.00	2X1.75 MHz	28.00	7.00
2	Mumbai	160.00		28.00	7.00
3	Kerala	60.00	2X6 Mhz	36.00	9.00
4	Haryana	60.00		36.00	9.00
5	Punjab	60.00		36.00	9.00
6	Kolkata	60.00		36.00	9.00
7	Karnataka	160.00		96.00	24.00
8	Maharashtra	160.00		96.00	24.00
9	Andhra Pradesh	160.00		96.00	24.00
10	Bihar	15.00		9.00	2.25
11	Assam	15.00		9.00	2.25
12	Gujarat	160.00		96.00	24.00
13	Himachal Pradesh	15.00		9.00	2.25
14	Jammu & Kashmir	15.00		9.00	2.25
15	Madhya Pradesh	60.00		36.00	9.00
16	North East	15.00		9.00	2.25
17	Orissa	15.00		9.00	2.25
18	Rajasthan	60.00		36.00	9.00
19	Tamil Nadu	160.00		96.00	24.00
20	Uttar Pradesh(E)	60.00		36.00	9.00
21	Uttar Pradesh(W)	60.00		36.00	9.00
22	West Bengal	60.00		36.00	9.00
	Total	**1750.00**		**914.00**	**228.50**

Annexure-II
[Paragraph 2.2]
Statement showing non-realisation of one-time charge in respect of M/s Aircel Limited

(₹ in crore)

Sl.No	Service areas	Reserve price (2010) for 20 MHz BWA spectrum in 2.3 GHz band	Bandwidth (Mhz) allocated in 3.3 GHz band	Proportionate price for Bandwidth allocated in 3.3 GHz band for 20 years	Proportionate price for Bandwidth allocated in 3.3 GHz band for 5 years upto September 2015
1	Delhi	160.00	2X6 Mhz	96.00	24.00
2	Mumbai	160.00		96.00	24.00
3	Kerala	60.00		36.00	9.00
4	Punjab	60.00		36.00	9.00
5	Karnataka	160.00		96.00	24.00
6	Maharashtra	160.00		96.00	24.00
7	Andhra Pradesh	160.00		96.00	24.00
8	Bihar	15.00		9.00	2.25
9	Gujarat	160.00		96.00	24.00
10	Himachal Pradesh	15.00		9.00	2.25
11	Madhya Pradesh	60.00		36.00	9.00
12	Orissa	15.00		9.00	2.25
13	Rajasthan	60.00		36.00	9.00
14	Tamil Nadu	160.00		96.00	24.00
15	Uttar Pradesh(E)	60.00		36.00	9.00
16	Uttar Pradesh(W)	60.00		36.00	9.00
	Total	**1,525.00**		**915.00**	**228.75**

Annexure-III
[Paragraph 2.2]
Statement showing non-realisation of one-time charge in respect of M/s Reliance

(₹ in crore)

Sl.No	Service areas	Reserve price (2010) for 20 MHz BWA spectrum in 2.3 GHz band	Bandwidth (Mhz) allocated in 3.3 GHz band	Proportionate price for Bandwidth allocated in 3.3 GHz band for 20 years	Proportionate price for Bandwidth allocated in 3.3 GHz band for 5 years upto September 2015
1	Delhi	160.00	2X6 Mhz	96.00	24.00
2	Mumbai	160.00		96.00	24.00
3	Kolkata	60.00		36.00	9.00
4	Karnataka	160.00		96.00	24.00
5	Maharashtra	160.00		96.00	24.00
6	Andhra Pradesh	160.00		96.00	24.00
7	Gujarat	160.00		96.00	24.00
8	Tamil Nadu	160.00		96.00	24.00
	Total	**1,180.00**		**708.00**	**177.00**

Annexure--IV
[Paragraph 2.2]
Statement showing non-realisation of one-time charge in respect of M/s Tata Communications Ltd.

(₹ in crore)

Sl.No	Service areas	Reserve price (2010) for 20 MHz BWA spectrum in 2.3 GHz band	Bandwidth (Mhz) allocated in 3.3 GHz band	Proportion-ate price for Bandwidth allocated in 3.3 GHz band for 20 years	Proportionate price for Band-width allocated in 3.3 GHz band for 5 years upto September 2015
1	Delhi	160.00	6 Mhz	48.00	12.00
2	Mumbai	160.00		48.00	12.00
3	Kerala	60.00		18.00	4.50
4	Haryana	60.00		18.00	4.50
5	Punjab	60.00		18.00	4.50
6	Kolkata	60.00		18.00	4.50
7	Karnataka	160.00		48.00	12.00
8	Maharashtra	160.00		48.00	12.00
9	Andhra Pradesh	160.00		48.00	12.00
10	Bihar	15.00		4.50	1.13
11	Assam	15.00		4.50	1.13
12	Gujarat	160.00		48.00	12.00
13	Himachal Pradesh	15.00		4.50	1.13
14	Jammu & Kashmir	15.00		4.50	1.13
15	Madhya Pradesh	60.00		18.00	4.50
16	North East	15.00		4.50	1.13
17	Orissa	15.00		4.50	1.13
18	Rajasthan	60.00		18.00	4.50
19	Tamil Nadu	160.00		48.00	12.00
20	Uttar Pradesh(E)	60.00		18.00	4.50
21	Uttar Pradesh(W)	60.00		18.00	4.50
22	West Bengal	60.00		18.00	4.50
	Total	**1,750.00**		**525.00**	**131.25**

Annexure-V
[Paragraph 2.2]
Statement showing non-realisation of one-time charge in respect of M/s Track Online

(₹ in crore)

Sl.No	Service areas	Reserve price (2010) for 20 MHz BWA spectrum in 2.3 GHz band	Bandwidth (Mhz) allocated in 3.3 GHz band	Proportion-ate price for Bandwidth al-located in 3.3 GHz band for 20 years	Proportionate price for Bandwidth allocated in 3.3 GHz band for 5 years upto September 2015
1	Delhi	160.00	2X1.75 MHz	28.00	7.00
2	Mumbai	160.00		28.00	7.00
3	Karnataka	160.00		28.00	7.00
4	Tamil Nadu	160.00		28.00	7.00
	TOTAL	**640.00**		**112.00**	**28.00**

Annexure-VI
[Paragraph 2.2]
Statement showing non-realisation of one-time charge in respect of M/s Tulip

(₹ in crore)

Sl.No	Service areas	Reserve price (2010) for 20 MHz BWA spectrum in 2.3 GHz band	Bandwidth (Mhz) allocated in 3.3 GHz band	Proportion-ate price for Bandwidth allocated in 3.3 GHz band for 20 years	Proportion-ate price for Bandwidth allocated in 3.3 GHz band for 5 years upto September 2015
1	Delhi	160.00	2X6 Mhz	96	24.00
2	Kerala	60.00		36	9.00
3	Haryana	60.00		36	9.00
4	Punjab	60.00		36	9.00
5	Karnataka	160.00		96	24.00
6	Maharashtra	160.00		96	24.00
7	Andhra Pradesh	160.00		96	24.00
8	Bihar	15.00		9	2.25
9	Assam	15.00		9	2.25
10	Gujarat	160.00		96	24.00
11	Himachal Pradesh	15.00		9	2.25
12	Jammu & Kashmir	15.00		9	2.25
13	Madhya Pradesh	60.00		36	9.00
14	North East	15.00		9	2.25
15	Orissa	15.00		9	2.25
16	Rajasthan	60.00		36	9.00
17	Tamil Nadu	160.00		96	24.00
18	Uttar Pradesh(E)	60.00		36	9.00
19	Uttar Pradesh(W)	60.00		36	9.00
	Total	**1470.00**		**882**	**220.50**

Annexure-VII
[Paragraph 2.3]
Statement showing details of expenditure incurred on the newly created Regional Offices

Expenditure	**2013-14**	**2012-13**
Pay and allowances	33639483	24283832
TA/Conveyance	6077332	2520173
Medical/LTC/LSPC etc.	4119572	5049880
fixed assets	700058	19227627
Rent & Electricity Charges	20251221	22410765
Misc Exp. (Office Expenses)	1650374	1245129
Total ₹	**66438040**	**74737406**
Grand Total ₹	**141175446 or 14.12 crores**	

Annexure- VIII
[Paragraph 3.2]
Statement showing procurement of barcoded bag labels

S.No	Name of Circle	Name of PSDs	No of labels procured (in lakh)	Value of labels (₹ in lakh)	Period during which procured
1	Kerala	Thrissur, Thiruva-nanthapuram and Calicut	41.00	14.89	August to October 2012
2	Uttar Pradesh	Lucknow	57.00	20.20	November 2012 to January 2013 and January-February 2015
3	Punjab	Ludhiana	17.00	6.25	July 2012 to January 2015
4	Haryana	Ambala	22.18	7.99	July 2012 to March 2013
5	Himachal Pradesh	Shimla	12.00	4.82	December 2012
6	Tamilnadu	Chennai, Tirunelve-li, Coimbatore, Trichy	38.38	14.03	July 2012 to November 2013
7	Madhya Pradesh	Bhopal	23.00	8.11	September 2012 to January 2015
8	Chhattisgarh	Raipur	3.13	1.18	
9	Maharashtra	Kolhapur, Nagpur, Mumbai	46.42	17.70	September 2012 to March 2015
10	Orissa	Bhubaneswar	4.50	1.92	August 2012 to March 2015
11	West Bengal	Kolkata	30.00	9.25	August 2013 to June 2014
12	Rajasthan	Jaipur, Jodhpur and Ajmer	69.30	24.18	October 2012 to March 2014
13	Delhi	Delhi	33.00	11.68	October 2013
14	Gujarat	Vadodra, Rajkot and Ahmedabad	36.15	12.90	August 2012 to January 2015
15	Bihar	Patna	3.75	1.58	August 2012 to May 2014
16	Jharkhand	Ranchi	2.40	1.00	
17	Karnataka	Bangalore, Airsekere and Hubli	37.00	13.17	October 2012 to January 2013
Total			**476.21**	**170.85**	

Annexure-IX
[Paragraph 4.1.1.1 (a)]
Statement showing the cost of the Hardware and Software procured during the year 2006-07
(Amount in ₹)

Sl. No.	Particular	Quantity	Rate	Total Amount
	HARDWARE FOR CONTROL CENTRE			
1	High End RISC based server	6	1838174	11029043
2	Client workstation	30	40600	1218000
3	A4 size Color laser printer	6	249000	1494000
4	A0 size color raster plotter	6	429905	2579430
	TOTAL			**16320473**
	SOFTWARE FOR CONTROL CENTRE			
1	Windows XP, Operating system (installed by default)	30	0	0
2	Office XP	6	14830	88980
3	Spatial Oracle media with user licenses (per city)	6	376362	2258172
4	GIS software per city	6	2208980	13253880
	TOTAL			**15601032**
	HARDWARE FOR REMOTE CENTRE			
1	Server Machine	30	132796	3983880
2	Client workstation	150	40600	6090000
3	A0 size color raster plotter	30	429905	12897150
	TOTAL			**22971030**
	SOFTWARE FOR REMOTE CENTRE			
1	Windows XP, Operating system (installed by default)	30	0	0
2	XP 2003 operating system	30	52113	1563390
3	Spatial Oracle software (per city)	6	129260	775560
4	GIS server software per city	30	1588595	47657850
	TOTAL			**49996800**
1	Pipe & Cable locator	120	123779	14853480
2	Ferro magnetic locator	30	41189	1235670
	TOTAL			**16089150**
	GRAND TOTAL			**120978485**

Say ₹ 12.10 crore

Annexure-X
[Paragraph 4.1.1.1 (d)]
Statement showing the details of extra expenditure due to extension of old tenders

(Amount in ₹)

Sl.No.	NAME OF THE VENDOR	BAND WIDTH	PERIOD		Paid Rate per Month Per Mbps	Projected Rate per Month Per Mbps	Differ-ence Rate per Month Per Mbps	Savings	Service Tax (10.3% from 06-02-11 to 08-06-11 and at 12.36% from 09-06-13 to 08-06-14	Total
			FROM	TO						
1	2	3	4	5	6	7	8	9	10	11
							(6 - 7)	(3 * 8)		(9 + 10)
1	Reliance	3000	06-02-2011	28-02-2011	2208	1200	1008	2700000	278100	2978100
		3000	01-03-2011	31-03-2011	2208	1200	1008	3024000	311472	3335472
		3000	01-04-2011	30-04-2011	2208	1200	1008	3024000	311472	3335472
		3000	01-05-2011	10-05-2011	2208	1200	1008	975484	100475	1075959
		3000	11-05-2011	31-05-2011	1480	1200	280	569032	58610	627643
		3000	01-06-2011	08-06-2011	1480	1200	280	224000	23072	247072
2	Tata Telecom-munication	4500	06-02-2011	28-02-2011	2208	1200	1008	3726000	383778	4109778
		4500	01-03-2011	31-03-2011	2208	1200	1008	4536000	467208	5003208
		4500	01-04-2011	30-04-2011	2208	1200	1008	4536000	467208	5003208
		4500	01-05-2011	09-05-2011	2208	1200	1008	1316903	135641	1452544
		4500	10-05-2011	31-05-2011	1480	1200	280	894194	92102	986295
		4500	01-06-2011	08-06-2011	1480	1200	280	336000	34608	370608
		Extra Expenditure on Extension Of Tender for the year 2009						25861613	2663746	28525359

3	Re liance	9000	09-06-2013	30-06-2013	1020	554	466	3075600	380144	3455744
		9000	01-07-2013	31-08-2013	1020	554	466	8388000	1036757	9424757
		9000	01-09-2013	30-11-2013	1020	554	466	12582000	1555135	14137135
		9000	01-12-2013	28-02-2014	1020	554	466	12582000	1555135	14137135
		2000	10-01-2014	31-01-2014	1020	554	466	661419	81751	743171
		2000	01-02-2014	28-02-2014	1020	554	466	932000	115195	1047195
		11000	01-03-2014	31-05-2014	1020	554	466	15378000	1900721	17278721
		11000	01-06-2014	08-06-2014	1020	554	466	1366933	168953	1535886
4	Airtel	9000	09-06-2013	30-06-2013	1020	554	466	3075600	380144	3455744
		9000	01-07-2013	31-08-2013	1020	554	466	8388000	1036757	9424757
		9000	01-09-2013	30-11-2013	1020	554	466	12582000	1555135	14137135
		9000	01-12-2013	28-02-2014	1020	554	466	12582000	1555135	14137135
		1000	20-01-2014	31-01-2014	1020	554	466	180387	22296	202683
		1000	01-02-2014	28-02-2014	1020	554	466	466000	57598	523598
		10000	01-03-2014	31-05-2014	1020	554	466	13980000	1727928	15707928
		1000	28-04-2014	30-04-2014	1020	554	466	46600	5760	52360
		1000	01-05-2014	31-05-2014	1020	554	466	466000	57598	523598
		11000	01-06-2014	08-06-2014	1020	554	466	1366933	168953	1535886
		Extra Expenditure on Extension of Tender for the year 2011						**108099473**	**13361095**	**121460568**
Total Extra Expenditure								**133961086**	**16024841**	**149985927**

Say ₹ 15.00 crore

Annexure-XI
[Paragraph 4.1.1.1 (e)]
Statement showing the details of avoidable expenditure made on SMS charges

(Amount in ₹)

Sl. No.	Bill Period	Total No. of SMS	Amount paid to TATA per SMS	BSNL offered rate per SMS	Avoidable expenditure	Service Tax	Total avoidable expenditure
1	23-03-2011 to 22-04-2011	238119	0.07	0.17	-23332	-2403	-25735
2	23-04-2011 to 22-05-2011	372413	0.07	0.11	-13931	-1435	-15366
3	23-05-2011 to 22-06-2011	457623	0.07	0.09	-7966	-820	-8786
4	23-06-2011 to 22-07-2011	601154	0.07	0.048	13225	1362	14587
5	23-07-2011 to 22-08-2011	1643765	0.065	0.048	27944	2878	30822
6	23-08-2011 to 22-09-2011	1456592	0.065	0.048	24762	2550	27312
7	23-09-2011 to 22-10-2011	3305131	0.065	0.048	56187	5787	61974
8	23-10-2011 to 22-11-2011	2026177	0.065	0.048	34445	3548	37993
9	23-11-2011 to 22-12-2011	10974964	0.05	0.025	274374	28261	302635
10	23-12-2011 to 22-01-2012	5387232	0.065	0.035	161617	16647	178264
11	23-01-2012 to 22-02-2012	18790629	0.05	0.025	469766	48386	518152
12	23-02-2012 to 22-03-2012	15258551	0.05	0.025	381464	39291	420755
13	23-03-2012 to 22-04-2012	14990709	0.05	0.025	374768	38601	413369
14	01-05-2012 to 22-05-2012	12895649	0.069	0.025	567409	70132	637541
15	23-05-2012 to 22-06-2012	24700186	0.069	0.02	1210309	149594	1359903
16	23-06-2012 to 16-07-2012	18875280	0.069	0.025	830512	102651	933163
17	17-07-2012 to 16-08-2012	20855613	0.069	0.02	1021925	126310	1148235
18	17-08-2012 to 16-09-2012	27880796	0.069	0.02	1366159	168857	1535016
19	17-09-2012 to 16-10-2012	48809185	0.069	0.02	2391650	295608	2687258
20	17-10-2012 to 16-11-2012	42929499	0.069	0.02	2103545	259998	2363543
21	17-11-2012 to 16-12-2012	41560105	0.069	0.02	2036445	251705	2288150
22	17-12-2012 to 16-01-2013	40695945	0.069	0.02	1994101	246471	2240572
23	17-01-2013 to 16-02-2013	41346147	0.069	0.02	2025961	250409	2276370
24	17-02-2013 to 16-03-2013	41046392	0.069	0.02	2011273	248593	2259866
25	17-03-2013 to 16-04-2013	75746692	0.067	0.01	4317561	533651	4851212
26	17-04-2013 to 16-05-2013	163036105	0.063	0.01	8640914	1068017	9708931
27	17-05-2013 to 31-05-2013						
	TOTAL				**32291087**	**3954649**	**36245736**

Say ₹ 3.62 crore

Annexure-XII
[Paragraph 4.2]
Statement showing the details of increase in the cost of Pashan building project due to delay in completion

(₹ in crore)

Revised project cost		116.19
Less: Original project cost		49.80
Increase in project cost		66.39
Less:		
Increase in project cost due to additional scope of work	11.16	
Extra cost of items executed	5.84	
Statutory and other items which were not considered in the initial estimates	9.61	
Interior works excluded from the scope of tenders	14.59	41.20
Net increase in project cost		25.19
Source: Revised cost estimate submitted for approval of DeitY and Planning Commission Appraisal Note.		

Annexure-XIII
[Paragraph 4.2]
Statement showing the details of expenditure towards rent on hired premises incurred / to be incurred by C-DAC Pune during the period April 2010 to March 2015

(Amount in ₹)

Location of the rented premise	2010-11	2011-12	2012-13	2013-14	2014-15	Total
NSG IT Park	61051050	62407740	7697808	38191164	0	169347762
Westend Centre	0	0	0	64754679	101817576	166572255
Pune University Building	3970800	6618000	6741600	6741600	6741600	30813600
Agriculrture College Building	242280	242280	242280	242280	242280	1211400
Total	65264130	69268020	14681688	109929723	108801456	367945017

Notes:

1. Expenditure towards rent incurred / to be incurred worked out based on the agreement terms and conditions.
2. Expenditure towards rent includes service tax applicable from time to time.
3. Rate of service tax from 24.02.2009 to 31.3.2012 - 10.30% (ST + EC+ SHEC).
4. Rate of service tax from from 1.4.2012 onwards - 12.36% (ST + EC+ SHE C).
5. Space hired at NSG IT Park during Jun-08 to Sep-10 was 57,474 sft and rent per month was ₹ 41,00,000 from Jun-08 to May 2011 and at ₹ 47,15,000 plus service tax. Additional space of 10,200 sft. was hired from Oct-12 at a monthly rent of ₹ 9,50,000 plus service tax.
6. Space hired at NSG IT Park was vacated by September 2013.
7. Space under hire at Westend Centre in sft: 1-Jun-13 - 29,190; 1-Aug-13 - 32,438; 23-Aug-13 - 78,393; 15-Oct-13 - 80,374 and 1-Dec-13 - 94,393.
8. Rent and maitenance charges payable to the lessor of Westend Centre - ₹ 80 per sft./ month plus service tax.
9. Space hired at Pune Univesity Campus - 18,626 sft.
10. Space hired at Agriculture College Building - 3,959 sft. and rent per month ₹ 20,190/-.
11. Present monthly expenditure (March 2015) towards rent on hired building is ₹ 90.67 lakh (Westend Centre - ₹ 84,84,798; Pune University - ₹ 5,61,800; Agriculture College building - ₹ 20,190) or ₹ 3.02 lakh per day.

Annexure-XIV
[Paragraph 4.3]

Statement showing comparison of instalment/interest to be paid and actually paid for Plot B-30, Sector 60, NOIDA by C-DAC NOIDA

Balance Premium payment plan as per Lease Deed					Actual payment		Remarks
Installment No.	**Due on**	**Principal Amount (₹)**	**Interest @ 12 % (₹)**	**Total Amount of installment (₹)**	**Date of payment**	**Principal Amount (₹)**	
1	24.04.2001	825000	1485000	2310000	3.01.2002	825000	Principal amount paid. Interest not paid.
2	24.10.2001	825000	1435500	2260500	3.01.2002	825000	Principal amount paid. Interest not paid.
3	24.04.2002	825000	1386000	2211000	17.04.2002	825000	Principal amount paid. Interest not paid.
4	24.10.2002	825000	1336500	2161500	22.10.2002	825000	Principal amount paid. Interest not paid.
5	24.04.2003	825000	1287000	2112000	23.04.2003	825000	Principal amount paid. Interest not paid.
6	24.10.2003	825000	1237500	2062500	10.10.2003	825000	Principal amount paid. Interest not paid.
7	24.04.2004	825000	1188000	2013000	1.12.2003	19800000	Cash down payment towards balance premium
8	24.10.2004	825000	1138500	1963500	14.10.2011	20483150	Payment towards interest
9	24.04.2005	825000	1089000	1914000	12.05.2014	7825550	Payment towards interest
10	24.10.2005	825000	1039500	1864500	27.05.2014	3886790	Payment towards full and final settlement of balance premium/interest
11	24.04.2006	825000	990000	1815000	**Total**	**56945490**	
12	24.10.2006	825000	940500	1765500			
13	24.04.2007	825000	891000	1716000			
14	24.10.2007	825000	841500	1666500			
15	24.04.2008	825000	792000	1617000			
16	24.10.2008	825000	742500	1567500			
17	24.04.2009	825000	693000	1518000			
18	24.10.2009	825000	643500	1468500			
19	24.04.2010	825000	594000	1419000			
20	24.10.2010	825000	544500	1369500			
21	24.04.2011	825000	495000	1320000			
22	24.10.2011	825000	445500	1270500			
23	24.04.2012	825000	396000	1221000			
24	24.10.2012	825000	346500	1171500			
25	24.04.2013	825000	297000	1122000			
26	24.10.2013	825000	247500	1072500			
27	24.04.2014	825000	198000	1023000			
28	24.10.2014	825000	148500	973500			
29	24.04.2015	825000	99000	924000			
30	24.10.2015	825000	49500	874500			
	Total	24750000	23017500	47767500			

Actual Payment	**₹ 56945490**
(-) Payment to be made	**₹ 47767500**
Avoidable Payment	**₹ 9177990**

Annexure-XV
[Paragraph 4.3]
Statement showing calculation of loss of interest

Amount paid by C-DAC on 01 December 2003 towards balance premium (₹)	19800000
Less: Amount payable by C-DAC on 01 December 2003 (including interest and penal interest) (₹)	10622916
Excess payment made by C-DAC (₹)	9177084

Period	Rate of interest as per PLR of SBI (in *per cent*)	Amount of fund on which interest could have been earned* (₹)	Amount of interest (₹)
24.10.2004 to 24.04.2005	10.75	9177084	493268
24.04.2005 to 24.10.2005	10.75	8352084	448925
24.10.2005 to 24.04.2006	10.75	7527084	404581
24.04.2006 to 24.10.2006	10.75	6702084	360237
24.10.2006 to 24.04.2007	11.00	5877084	323240
24.04.2007 to 24.10.2007	12.50	5052084	315755
24.10.2007 to 24.04.2008	12.50	4227084	264193
24.04.2008 to 24.10.2008	12.25	3402084	208378
24.10.2008 to 24.04.2009	13.00	2577084	167510
24.04.2009 to 24.10.2009	12.25	1752084	107315
24.10.2009 to 24.04.2010	11.75	927084	54466
24.04.2010 to 24.10.2010	11.75	102084	5997
		Total	**3153865**

*** Amount reduced by Principal, i.e., ₹ 825000 after every six months when next installment becomes due**

Annexure-XVI
[Paragraph 4.4]
Statement showing the details of avoidable extra expenditure incurred by C-DAC Pune due to non-availment of electricity at concessional tariff - (Pune University Building)

Billing periodt		Units con-sumed	Tariff per unit paid			Industrial tariff per unit payable			Difference per unit	Avoidable expenditure
From	To		Tariff	Ele. Duty	Total	Tariff	Ele. Duty	Total		
1	2	3	4	5	6 (4+5)	7	8	9 (7+8)	10 (6-9)	11 (3X10)
										(Amount in Rupees)
25-Mar-10	25-Aug-10	1080480	7.15	0	7.15	3.40	0	3.40	3.75	4051800
25-Aug-10	29-Nov-10	698520	7.15	0	7.15	3.40	0	3.40	3.75	2619450
30-Nov-10	08-Apr-11	940560	7.65	0	7.65	5.27	0	5.27	2.38	2238533
09-Apr-11	26-Aug-11	956400	7.65	0	7.65	5.27	0	5.27	2.38	2276232
27-Aug-11	21-Nov-11	585840	7.65	0	7.65	5.27	0	5.27	2.38	1394299
22-Nov-11	03-Apr-12	965335	7.65	0	7.65	5.27	0	5.27	2.38	2297498
03-Apr-12	21-May-12	375655	7.65	0	7.65	5.27	0	5.27	2.38	894059
21-May-12	21-Jun-12	253015	7.65	0	7.65	5.27	0	5.27	2.38	602176
21-Jun-12	20-Jul-12	239575	7.65	0	7.65	5.27	0	5.27	2.38	570189
21-Jul-12	20-Aug-12	223920	7.65	0	7.65	5.27	0	5.27	2.38	532930
21-Aug-12	20-Sep-12	190800	7.65	0	7.65	5.27	0	5.27	2.38	454104
21-Sep-12	20-Oct-12	208080	8.21	0	8.21	7.01	0	7.01	1.20	249696
21-Oct-12	20-Feb-13	730440	8.21	0	8.21	7.01	0	7.01	1.20	876528
21-Feb-13	01-Mar-13	57600	8.21	0	8.21	7.01	0	7.01	1.20	69120
01-Mar-13	01-Apr-13	204240	8.21	0	8.21	7.01	0	7.01	1.20	245088
01-Apr-13	01-May-13	192480	8.21	0	8.21	7.01	0	7.01	1.20	230976
01-May-13	01-Jun-13	251880	8.21	0	8.21	7.01	0	7.01	1.20	302256
01-Jun-13	01-Jul-13	197880	8.21	0	8.21	7.01	0	7.01	1.20	237456
01-Jul-13	01-Aug-13	210480	8.21	0	8.21	7.01	0	7.01	1.20	252576
01-Aug-13	01-Sep-13	230280	8.21	0	8.21	7.01	0	7.01	1.20	276336

01-Sep-13	01-Oct-13	238920	8.21	0	8.21	7.01	0	7.01	1.20	286704
01-Oct-13	01-Nov-13	224280	8.21	0	8.21	7.01	0	7.01	1.20	269136
01-Nov-13	01-Dec-13	205440	8.21	0	8.21	7.01	0	7.01	1.20	246528
01-Dec-13	01-Jan-14	189240	8.21	0	8.21	7.01	0	7.01	1.20	227088
01-Jan-14	01-Feb-14	212280	8.21	0	8.21	7.01	0	7.01	1.20	254736
01-Feb-14	01-Mar-14	243480	8.21	0	8.21	7.01	0	7.01	1.20	292176
01-Mar-14	01-Apr-14	303120	8.21	0	8.21	7.01	0	7.01	1.20	363744
01-Apr-14	01-May-14	256800	8.21	0	8.21	7.01	0	7.01	1.20	308160
01-May-14	01-Jun-14	303000	8.21	0	8.21	7.01	0	7.01	1.20	363600
01-Jun-14	01-Jul-14	327240	8.21	0	8.21	7.01	0	7.01	1.20	392688
01-Jul-14	01-Aug-14	326280	8.21	0	8.21	7.01	0	7.01	1.20	391536
01-Aug-14	01-Sep-14	301680	8.21	0	8.21	7.01	0	7.01	1.20	362016
01-Sep-14	01-Oct-14	283560	8.21	0	8.21	7.01	0	7.01	1.20	340272
Total avoidable extra expenditure in respect of Pune University Building										**24769686**

Source: Bills/ vouchers through which electricity charges were paid by C-DAC to the lessor of the hired building.

Note: 1. Tariff payable at industrial rates was taken higher of the tariff applicable to express feeder / non-express feeder as a conservative basis.

2. Avoidable expenditure worked out on the difference between tariff paid under educational institutes category (up to 15-Aug-12)/ public services category (16-Aug-12) and payable under industry category together with electricity duty applicable.

3. Number of units consumed by C-DAC were taken from the bills received from landlords and tariff rate from the MSEDCL bills received by the landlords.

Annexure-XVII
[Paragraph 4.4]

Statement showing the details of avoidable extra expenditure incurred by C-DAC Pune due to non-availment of electricity at concessional tariff - (NSG IT Park/ Westend Center)

(Amount in Rupees)

Billing period		Units consumed	Tariff per unit paid			Industrial tariff per unit payable			Difference per unit	Avoidable expenditure	Location
From	To		Tariff	Ele. Duty	Total	Tariff	Ele. Duty	Total			
1	2	3	4	5	6 (4+5)	7	8	9 (7+8)	10 (6-9)	11 (3X10)	12
19/Mar/10	17/Apr/10	87761	7.15	1.22	8.37	3.40	0	3.40	4.97	436172	NSG IT Park
17/Apr/10	18/May/10	100058	7.15	1.22	8.37	3.40	0	3.40	4.97	497288	NSG IT Park
18/May/10	17/Jun/10	88271	7.15	1.22	8.37	3.40	0	3.40	4.97	438707	NSG IT Park
17/Jun/10	19/Jul/10	84111	7.15	1.22	8.37	3.40	0	3.40	4.97	418032	NSG IT Park
19/Jul/10	20/Aug/10	80727	7.15	1.22	8.37	3.40	0	3.40	4.97	401213	NSG IT Park
20/Aug/10	20/Sep/10	76057	7.15	1.22	8.37	3.40	0	3.40	4.97	378003	NSG IT Park
20/Sep/10	20/Oct/10	89279	7.45	1.27	8.72	5.27	0	5.27	3.45	308013	NSG IT Park
20/Oct/10	19/Nov/10	76990	7.45	1.27	8.72	5.27	0	5.27	3.45	265616	NSG IT Park
19/Nov/10	21/Dec/10	82530	7.45	1.27	8.72	5.27	0	5.27	3.45	284729	NSG IT Park
21/Dec/10	20/Jan/11	74736	7.45	1.27	8.72	5.27	0	5.27	3.45	257839	NSG IT Park
20/Jan/11	18/Feb/11	72666	7.45	1.27	8.72	5.27	0	5.27	3.45	250698	NSG IT Park
18/Feb/11	21/Mar/11	87197	7.45	1.27	8.72	5.27	0	5.27	3.45	300830	NSG IT Park
21/Mar/11	20/Apr/11	95741	7.45	1.27	8.72	5.27	0	5.27	3.45	330306	NSG IT Park
20/Apr/11	20/May/11	99567	7.45	1.27	8.72	5.27	0	5.27	3.45	343506	NSG IT Park
20/May/11	19/Jun/11	96408	7.45	1.27	8.72	5.27	0	5.27	3.45	332608	NSG IT Park
19/Jun/11	19/Jul/11	83082	7.45	1.27	8.72	5.27	0	5.27	3.45	286633	NSG IT Park
19/Jul/11	20/Aug/11	85218	7.45	1.27	8.72	5.27	0	5.27	3.45	294002	NSG IT Park
20/Aug/11	20/Sep/11	81729	7.45	1.27	8.72	5.27	0	5.27	3.45	281965	NSG IT Park
20/Sep/11	18/Oct/11	83349	7.45	1.27	8.72	5.27	0	5.27	3.45	287554	NSG IT Park
18/Oct/11	21/Nov/11	92297	7.45	1.27	8.72	5.27	0	5.27	3.45	318425	NSG IT Park
21/Nov/11	21/Dec/11	94351	7.45	1.27	8.72	5.27	0	5.27	3.45	325511	NSG IT Park
21/Dec/11	21/Jan/12	91102	7.45	1.27	8.72	5.27	0	5.27	3.45	314302	NSG IT Park
21/Jan/12	20/Feb/12	74704	7.45	1.27	8.72	5.27	0	5.27	3.45	257729	NSG IT Park
20/Feb/12	21/Mar/12	88858	7.45	1.27	8.72	5.27	0	5.27	3.45	306560	NSG IT Park
21/Mar/12	20/Apr/12	96358	7.45	1.27	8.72	5.27	0	5.27	3.45	332435	NSG IT Park
20/Apr/12	21/May/12	96906	7.45	1.27	8.72	5.27	0	5.27	3.45	334326	NSG IT Park

21/May/12	31/May/12	35408	7.45	1.27	8.72	5.27	0	5.27	3.45	122158	NSG IT Park
31/May/12	1/Jul/12	98918	7.45	1.27	8.72	5.27	0	5.27	3.45	341267	NSG IT Park
01/Jul/12	1/Aug/12	86981	7.45	1.27	8.72	5.27	0	5.27	3.45	300084	NSG IT Park
01/Aug/12	1/Sep/12	69090	7.45	1.27	8.72	7.01	0	5.27	3.45	238361	NSG IT Park
01/Sep/12	1/Oct/12	86395	9.83	1.67	11.5	7.01	0	7.01	4.49	387914	NSG IT Park
01/Oct/12	31/Oct/12	82675	9.83	1.67	11.5	7.01	0	7.01	4.49	371211	NSG IT Park
31/Oct/12	30/Nov/12	86149	9.83	1.67	11.5	7.01	0	7.01	4.49	386809	NSG IT Park
30/Nov/12	31/Dec/12	91038	9.83	1.67	11.5	7.01	0	7.01	4.49	408761	NSG IT Park
31/Dec/12	31/Jan/13	88514	9.83	1.67	11.5	7.01	0	7.01	4.49	397428	NSG IT Park
31/Jan/13	28/Feb/13	76677	9.83	1.67	11.5	7.01	0	7.01	4.49	344280	NSG IT Park
28/Feb/13	31/Mar/13	100871	9.83	1.67	11.5	7.01	0	7.01	4.49	452911	NSG IT Park
31/Mar/13	30/Apr/13	103491	9.83	1.67	11.5	7.01	0	7.01	4.49	464675	NSG IT Park
30/Apr/13	31/May/13	114485	9.83	1.67	11.5	7.01	0	7.01	4.49	514038	NSG IT Park
31/May/13	30/Jun/13	71373	9.83	1.67	11.5	7.01	0	7.01	4.49	320465	NSG IT Park
30/Jun/13	31/Jul/13	64704	9.83	1.67	11.5	7.01	0	7.01	4.49	290521	NSG IT Park
31/Jul/13	31/Aug/13	41724	9.83	1.67	11.5	7.01	0	7.01	4.49	187341	NSG IT Park
31/Aug/13	31/Jul/13	54558	9.83	1.67	11.5	7.01	0	7.01	4.49	244965	Westend center
31/Jul/13	31/Aug/13	67346	9.83	1.67	11.5	7.01	0	7.01	4.49	302384	Westend center
31/Aug/13	30/Sep/13	100847	9.83	1.67	11.5	7.01	0	7.01	4.49	452803	Westend center
30/Sep/13	31/Oct/13	140573	9.83	1.67	11.5	7.01	0	7.01	4.49	631173	Westend center
31/Oct/13	30/Nov/13	129264	9.83	1.67	11.5	7.01	0	7.01	4.49	580395	Westend center
30/Nov/13	31/Dec/13	132555	9.83	1.67	11.5	7.01	0	7.01	4.49	595172	Westend center
31/Dec/13	1/Feb/14	132322	9.83	1.67	11.5	7.01	0	7.01	4.49	594126	Westend center
01/Feb/14	28/Feb/14	124535	9.83	1.67	11.5	7.01	0	7.01	4.49	559162	Westend center
28/Feb/14	31/Mar/14	164614	9.83	1.67	11.5	7.01	0	7.01	4.49	739117	Westend center
31/Mar/14	30/Apr/14	175800	9.83	1.67	11.5	7.01	0	7.01	4.49	789342	Westend center
30/Apr/14	31/May/14	186417	9.83	1.67	11.5	7.01	0	7.01	4.49	837012	Westend center
31/May/14	30/Jun/14	164285	9.83	1.67	11.5	7.01	0	7.01	4.49	737640	Westend center
30/Jun/14	31/Jul/14	135273	9.83	1.67	11.5	7.01	0	7.01	4.49	607376	Westend center
31/Jul/14	31/Aug/14	123779	9.83	1.67	11.5	7.01	0	7.01	4.49	555768	Westend center
31/Aug/14	30/Sep/14	146249	9.83	1.67	11.5	7.01	0	7.01	4.49	656658	Westend center
Total avoidable extra expenditure in respect of NSG IT Park / Westend Center										**22994319**	

Source: Bills/ vouchers through which electricity charges were paid by C-DAC to the lessor of the hired building.

Note: 1. Tariff payable at industrial rates was taken higher of the tariff applicable to express feeder / non-express feeder as a conservative basis.

2. Avoidable expenditure worked out on the difference between commercial tariff paid and industrial tariff payable together with electricity duty applicable.

3. Number of units consumed by C-DAC were taken from the bills received from landlords and tariff rate from the MSEDCL bills received by the landlords.

Annexure-XVIII
[Paragraph 4.5]
Statement showing the details of excess payment due to extension of leased accommodation facility to all the officials of C-DAC Pune

(in ₹)

Year	Total lease rent charges paid during the year	Lease rent charges payable in respect of two Chief Executives	Lease rent charges paid to other officials @ 40% of pay + grade pay	HRA payable @ 20% of pay + grade pay	Excess payment
1	2	3 (₹ 32000X2X12)	4 (2-3)	5 (4X50%)	6 (4-5)
2010-11	14015145	768000	13247145	6623573	6623572
2011-12	22575309	768000	21807309	10903655	10903654
2012-13	20251680	768000	19483680	9741840	9741840
2013-14	24505654	768000	23737654	11868827	11868827
2014-15	44375779	768000	43607779	21803890	21803889
Total	**125723567**	**3840000**	**121883567**	**60941785**	**60941782**

Source: Annual accounts of C-DAC Pune and information furnished through letter by CDAC.

Note: 1. Lease rent charges payable was for two Chief Executives viz. DG C-DAC and ED C-DAC since Pune unit had drawn the pay and allowances in respect of DG's office also.

2. Excess payment has been calculated at half of the lease rent charges paid which is 40 *per cent* of the Basic Pay *plus* Grade Pay compared to 20 *per cent* HRA at Pune.

Annexure-XIX
[Paragraph 4.5]
Statement showing the details of excess payment of gratuity by C-DAC Pune

(in ₹)

Sl. No	Name of officer S/Shri/Smt	Nautre of leaving service	Date of Joining	Date of superannuation, resignation etc.	Length of service considered for gratuity purpose in years	Basic Pay at the time of superannuation etc. (as per 6th CPC)	Grade pay at the time of superannuation etc.	Dearness allowance	Total salary for gratuity purpose	DA %	Gratuity paid	Gratuity payable as per GoI gratuity rules	Excess payment of gratuity
1	2	3	4	5	6	7	8	9	10 (7+8+9)	11	12	13	14 (12-13)
1	Kisan Ambika	Superannuation	15.09.1994	30.06.2013	19	13940	2800	13392	30132	80	302157	286254	15903
2	Chandrakant Sannake	Superannuation	01.11.1995	30.06.2011	16	13660	4200	9109	26969	51	239714	215752	23962
3	S.D.Kelkar	Superannuation	05.10.1999	31.10.2007	8	45670	8700	4893	59263	9	278049	237052	40997
4	J.S.R.A. Prasad	Resignation	23.05.2001	07.08.2006	5	18660	5400	481	24541	2	70791	0	70791
5	Premalatha K	Resignation	15.01.2001	31.03.2006	5	20420	6600	0	27020	0	77942	0	77942
6	Uday R Tade	Superannuation	11.10.1988	23.03.2008	19	45230	8700	6472	60402	12	662099	573819	88280
7	Siddesh T.V	Resignation	01.11.2000	20.06.2006	6	19810	6600	0	26410	0	91419	0	91419
8	Arun m. Gokak	Resignation	04.12.2000	02.02.2007	6	19990	6600	1595	28185	6	97564	0	97564
9	Mehta S.D	Resignation	11.01.2000	30.06.2006	6	21360	6600	0	27960	0	97719	0	97719
10	Anitha Rao	Resignation	01.01.2001	30.04.2007	6	20610	6600	1633	28843	6	99841	0	99841
11	Prashant A.Nair	Resignation	01.11.2000	22.12.2006	6	22480	6600	582	29662	2	102676	0	102676

12	Rakesh Vende	Resignation	14.12.2006	17.05.2012	5	19030	6600	16660	42290	65	105725	0	105725
13	Mahesh V.	Resignation	15.12.1999	05.06.2007	7	22480	6600	1745	30825	6	124486	0	124486
14	Annapoorna A.Fernandes	Resignation	01.08.1994	01.05.2006	12	13580	4600	0	18180	0	125862	0	125862
15	Palash Karmaker	Resignation	08.06.2006	31.07.2011	5	21270	6600	16165	44035	58	127024	0	127024
16	Ananda D	Resignation	03.07.1998	18.08.2006	8	23100	6600	594	30294	2	139819	0	139819
17	Navaneetha Mira-jkar	Resignation	02.03.1994	22.03.2007	13	14650	4600	1155	20405	6	153037	0	153037
18	Chester Dominic Reberio	Resignation	01.10.2000	12.05.2009	9	23870	7600	6923	38393	22	199348	0	199348
19	Raghvendra Gupta	Death	01.12.2008	18.05.2010	1	9629	0	3370	12999	35	251558	25998	225560
20	Mahendra Kumar Pandey	Resignation	20.06.1997	03.06.2007	10	38790	8700	2849	50339	6	251695	0	251695
21	Dr.V.Sundarrajan	Death	02.04.1994	16.05.2011	16	50820	8900	30457	90177	51	1282025	1000000	282025
22	T.J. Shanmugam	Resignation	08.11.1996	12.07.2007	11	38790	8700	4274	51764	9	328503	0	328503
23	S.Venketesh	Resignation	18.04.1994	30.03.2007	13	39950	8700	2919	51569	6	387597	0	387597
24	Mohan Ram	Resignation	01.06.1989	06.03.2008	19	47970	8900	6824	63694	12	698195	0	698195
Total													**3955970**

Source: Statements furnished by C-DAC Pune

Note: Gratuity payable as per GoI rules is worked out at 15 days salary for each completed year of service.

Annexure-XX
[Paragraph 4.5]
Statement showing the details of honorarium paid by C-DAC Pune in excess of ₹ 5000 per annum to employees

(in ₹)

Sl. No.	Name	Honararium paid					
		2009-10	2010-11	2011-12	2012-13	2013-14	Total
1	Ajay Bhojak	0	0	1000	0	0	1000
2	Amol Karampurwala	0	41800	0	0	0	41800
3	Anshul Batth	0	0	19905	3250	0	23155
4	Aparna Butte	0	0	40900	0	0	40900
5	Ashish Kuvelkar	174512	351335	261685	295800	267125	1350457
6	Atiur Khan	83418	0	0	0	0	83418
7	Atreya Dande	0	0	0	0	98612	98612
8	Avanti Joshi	0	0	0	0	16715	16715
9	Chinmay Bahulkar	0	0	19893	15973	14030	49896
10	Chinmayee Moharir	0	0	0	4031	8118	12149
11	Deepak Chaudhary	0	0	8017	0	18306	26323
12	Deepankar Dixit	0	0	0	6900	11708	18608
13	Dhruv Desai	0	0	101024	135817	148657	385498
14	Dr. Debasri Chakrabarti Dubey	0	0	0	0	39850	39850
15	Dr. V. Venkatesh Shenoi	0	0	2000	0	0	2000
16	Gaur Sunder	37833	0	0	0	0	37833
17	Gaurav Paliwal	0	0	31565	17592	7844	57001
18	Geetanjali Gadre	0	0	20346	21550	8500	50396
19	I.Prabhu	0	0	2750	0	6050	8800
20	Jahnavi Bodhankar	0	0	0	0	675	675
21	Javed Shaikh	0	0	29130	8500	0	37630
22	Jitendra Mhatre	0	0	0	0	350	350
23	Jitesh Bafna	0	108806	56702	79351	118978	363837
24	Kedar Kulkarni	0	0	0	0	23663	23663
25	Krishnan Gopal Gupta	0	0	0	0	7920	7920
26	Krishnanjan Bhatacharjee	0	36250	0	0	0	36250
27	Kumar Sanjeev	0	0	0	0	20453	20453
28	Manish Chugh	0	104750	0	0	0	104750
29	Manisha Mantri	0	0	0	0	5100	5100
30	Manoj Chavan	0	0	0	17	5720	5737
31	Mudit Mankad	0	0	0	0	11800	11800
32	Nagesh Vaidya	0	0	2063	0	16575	18638
33	P. R. Ranjit Raman	0	81075	0	0	0	81075
34	Parikshit Godbole	91489	164250	102872	114250	108400	581261
35	Pavan Kuraria	0	0	0	52138	265787	317925
36	Praphul Kolte	0	41025	127442	127301	58725	354493

37	Prashant Bendale	0	0	0	1000	35425	36425
38	Prashant Singh Sisodiya	0	0	14075	0	0	14075
39	Pravin Singh Raghuvan-shi	0	162250	0	0	0	162250
40	Rabindra Panigrahy	0	0	0	0	9800	9800
41	Ram Marut Ved Prakash Aneja	0	0	5119	0	0	5119
42	Ranjan Kumar Das	0	0	0	0	9950	9950
43	Sachin Nanavati	0	51333	2000	0	0	53333
44	Salil Mishra	0	0	7000	0	0	7000
45	Sandeep Agarwal	0	0	0	2875	0	2875
46	Sandeep Joshi	0	54119	0	0	0	54119
47	Sandeep Srivastava	0	0	1000	0	0	1000
48	Satish Pardeshi	0	0	0	0	3100	3100
49	Savneer Kaur	0	0	0	0	34921	34921
50	Shaila Eksambekar	0	0	55200	0	0	55200
51	Shilendra Singh Narwariya	0	0	74946	0	3250	78196
52	Sucheta Pawar	0	0	0	10056	0	10056
53	Suhas Zingade	0	39867	0	0	0	39867
54	Sunil Londhe	0	0	0	0	21510	21510
55	Swapnil Awaghade	0	0	0	0	5650	5650
56	Swapnil Belhe	0	0	23215	54416	46136	123767
57	T.S.Murugesh Prabhu	0	0	787	6142	15620	22549
58	Tarun Deep Kohli	0	0	16575	14912	22788	54275
59	V.Sivakumar	0	0	0	200	18750	18950
60	Vinu Josy K	0	0	0	0	8638	8638
61	Vishal Mane	0	0	8025	0	0	8025
62	Yogindra Abhyankar	60750	43450	18925	45625	49375	218125
Total		**448002**	**1280310**	**1054161**	**1017696**	**1574574**	**5374743**

Annexure-XXI
[Paragraph 4.5]
Statement showing the details of consultancy charges paid by C-DAC Pune to Pavan Duggal Associates during April 2013 to October 2014

(in ₹)

Sl. No.	Bill No.	Bill Date	Bill amount	TDS @ 10%	Net paid	Nature of Service Rendered	Number of Hours	Fee per hour
1	B/CDAC/R1/13	15/04/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
2	B/CDAC/AH1/13	18/04/2013	125000	12500	112500	Additional Consultancy charges for various challenges and issues consuming CDAC	5	25000
3	B/CDAC/R2/13	15/05/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
4	B/CDAC/AH2/13	18/05/2013	100000	10000	90000	Additional Consultancy charges for various challenges and issues consuming CDAC	6	16667
5	B/CDAC/RT1/13	18/05/2013	150000	15000	135000	Advice on RTI querries in the month of April'2013 for 9 hours (including Appeals/Hearings)	9	16667
6	B/CDAC/R3/13	14/06/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
7	B/CDAC/MM1/13	26/06/2013	116664	11666	104998	Advice on Rule 10 of CCS (CCA) Rules	7	16666
8	B/CDAC/MM2/13	26/06/2013	133336	13334	120002	Advice on Rule 14 of CCS (CCA) Rules	8	16667
9	B/CDAC/MM3/13	26/06/2013	300000	30000	270000	Advice on Criminal law amendment act 2013	18	16667
10	B/CDAC/RT2/13	18/06/2013	233330	23333	209997	Advice on RTI querries in the month of May'2013 for 14 hours (including Appeals/Hearings)	14	16666
11	B/CDAC/AH3/13	18/06/2013	191670	19167	172503	Additional Consultancy charges for various challenges and issues consuming CDAC	11.5	16667
12	B/CDAC/MM4/13	07/04/2013	275000	27500	247500	Advice on the drafting of the template for presenting officers in IE proceedings	16.5	16667
13	B/CDAC/R4/13	15/07/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
14	B/CDAC/RT3/13	20/07/2013	175000	17500	157500	Advice on RTI querries in the month of June'2013 for 10.5 hours (including Appeals/Hearings)	10.5	16667
15	B/CDAC/AH4/13	20/07/2013	200000	20000	180000	Additional Consultancy charges for various challenges and issues consuming CDAC	12	16667

16	B/CDAC/MM5/13	29/07/2013	200000	20000	180000	Advice on protection and preservation of Indian Copy Right Act & Trademarks Act 1999	12	16667
17	B/CDAC/RT4/13	08/01/2013	250000	25000	225000	Advice on RTI querries in the month of July'2013 for 15 hours (including Appeals/Hearings)	15	16667
18	B/CDAC/MM6/13	08/05/2013	200000	20000	180000	Advice on reasonable security practises and procedures to be adopted for data and information in the electronic form	12	16667
19	B/CDAC/R5/13	16/08/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
20	B/CDAC/AH5/13	18/08/2013	175000	17500	157500	Additional Consultancy charges for various challenges and issues consuming CDAC	10.5	16667
21	B/CDAC/R6/13	16/09/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
22	B/CDAC/R7/13	15/10/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
23	B/CDAC/AH6/13	18/09/2013	200000	20000	180000	Additional Consultancy charges for various challenges and issues consuming CDAC	12	16667
24	B/CDAC/AH7/13	18/10/2013	258332	25833	232499	Additional Consultancy charges for various challenges and issues consuming CDAC	15.5	16667
25	B/CDAC/RT5/13	09/10/2013	91668	9167	82501	Advice on RTI querries in the month of Aug'2013 for 5.5 hours (including Appeals/Hearings)	5.5	16667
26	B/CDAC/RT5/13	20/10/2013	150000	15000	135000	Advice on RTI querries in the month of Sept'2013 for 9 hours (including Appeals/Hearings)	9	16667
27	B/CDAC/AH8/13	18/11/2013	200000	20000	180000	Additional Consultancy charges for various challenges and issues consuming CDAC	12	16667
28	B/CDAC/R8/13	15/11/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	10.5	19048
29	B/CDAC/RT7/13	11/12/2013	275000	27500	247500	Advice on RTI querries in the month of Oct'2013 for 16.5 hours (including Appeals/Hearings)	16.5	16667
30	B/CDAC/R9/13	16/12/2013	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
31	B/CDAC/RT8/13	18/12/2013	133331	13333	119998	Advice on RTI querries in the month of Nov'2013 for 8 hours (including Appeals/Hearings)	8	16666
32	B/CDAC/AH9/13	18/12/2013	116669	11667	105002	Additional Consultancy charges for various challenges and issues consuming CDAC	7	16667

33	B/CDAC/R10/14	15/01/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
34	B/CDAC/R11/14	14/02/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
35	B/CDAC/R12/14	14/03/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
36	B/CDAC/ MMW1/14	04/02/2014	275000	27500	247500	Advice on employee sensitization about the sexual harassment on women at work place (Prevention, Prohibition and Redressal Act 2013)	16.5	16667
37	B/CDAC/ MMW2/14	04/07/2014	250000	25000	225000	Advice on the role of CDAC as an intermediary under the Information Technology Act,2000	15	16667
38	B/CDAC/ MMW3/14	04/10/2014	250000	25000	225000	Advice on the due diligence steps to be taken by CDAC as an intermediary under the Information Technology Act,2000	15	16667
39	B/CDAC/ AHW1/14	15/4/2014	183330	18333	164997	Additional Consultancy charges for legal conference with CDAC	11	16666
40	B/CDAC/ RTIW1/14	15/4/2014	166670	16667	150003	Advice on RTI querries in the month of April'2014 for 10 hours (including Appeals/Hearings)	10	16667
41	B/CDAC/R1A/14	16/4/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
42	B/CDAC/ MMW4/14	05/10/2014	250000	25000	225000	Advice on the parameters to be adopted by CDAC under the Information Technology Act,2000	15	16667
43	B/CDAC/RA2/14	19/5/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
44	B/CDAC/ RTIW2/14	28/5/2014	83335	8334	75001	Advice on RTI querries in the month of May'2014 for 5 hours (including Appeals/Hearings)	5	16667
45	B/CDAC/ AHW2/14	28/5/2014	116665	11667	104998	Additional Consultancy charges for legal conference with CDAC	7	16666
46	B/CDAC/ RTIW3/14	06/01/2014	100000	10000	90000	Advice on RTI querries in the month of May-June'2014 for 6 hours (including Appeals/Hearings)	6	16667
47	B/CDAC/ AHW3/14	06/01/2014	200000	20000	180000	Additional Consultancy charges for legal conference with CDAC	12	16667
48	B/CDAC/RA3/14	17/6/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA

49	B/CDAC/ RTIW4/14	07/05/2014	200000	20000	180000	Advice on RTI querries in the month of July'2014 for12 hours (including Appeals/Hearings)	12	16667
50	B/CDAC/ AHW4/14	07/05/2014	250000	25000	225000	Additional Consultancy charges for legal conference with CDAC	15	16667
51	B/CDAC/RA4/14	17/7/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
52	B/CDAC/ AHW5/14	1/8/2014	200000	20000	180000	Additional Consultancy charges for legal conference with CDAC	12	16667
53	B/CDAC/ RTIW5/14	16/8/2014	200000	20000	180000	Advice on RTI querries in the month of Aug'2014 for 12 hours (including Appeals/Hearings)	12	16667
54	B/CDAC/RA5/14	18/8/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
55	B/CDAC/ AHW6/14	14/9/2014	166670	16667	150003	Additional Consultancy charges for legal conference with CDAC	10	16667
56	B/CDAC/ RTIW6/14	14/9/2014	133330	13333	119997	Advice on RTI querries in the month of Sept'2014 for 8hours (including Appeals/Hearings)	8	16666
57	B/CDAC/RA6/14	17/9/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
58	B/CDAC/ MMW5/14	15/10/2014	158330	15833	142497	Advice on the changing law in India pertaining to Computer outputs and other electronic evidence, Supreme Court Judgement and its applicability to CDAC	9.5	16666
59	B/CDAC/ AHW7/14	15/10/2014	141670	14167	127503	Additional Consultancy charges for legal conference with CDAC	8.5	16667
60	B/CDAC/RA7/14	17/10/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
61	B/CDAC/RA8/14	17/11/2014	200000	20000	180000	Consultancy charges for various challenges and issues consuming CDAC	NA	NA
62	B/CDAC/ RTIW7/14	20/11/2014	100000	10000	90000	Advice on RTI querries in the month of Nov'2014 for 6 hours (including Appeals/Hearings)	6	16667
63	B/CDAC/ AHW8/14	20/11/2014	100000	10000	90000	Additional Consultancy charges for legal conference with CDAC	6	16667
Total			**11775000**					

Annexure-XXII
[Paragraph 4.7]
Statement showing penal interest due to delay in remittance of Government revenue to Consolidated Fund of India

(in ₹)

Sl. No.	Year	Interest on delay in remittance of Government revenue to Consolidated fund of India			Total
		ERTL Kolkata	ETDC Bangalore	ETDC Jaipur	
1	Jan. 09-Mar 09	--	46141	5427.85	
2	2009-10	--	202241	12370.26	
1	2010-11	479440	146400	4922.95	
2	2011-12	291143	662807	161856.75	
3	2012-13	716629	491378	40113.08	
4	2013-14	1393099	586967	36322.46	
5	2014-15	1123926	283629	25034.14	
Total		**4004237**	**2419563**	**286047.49**	**6709847.49**

Annexure-XXIII
Statement showing outstanding amount for more than three years from Leased Circuit Subscribers
[Paragraph 5.2]

(₹ in crore)

Name of the Circle	No. of cases	Period	Out-standing amount	Amount recovered at the instance of Audit	Balance outstanding
Maharashtra	128	2011-12 to 2014-15	204.61	111.23	93.38
Chennai	510	2010-11 to 2014-15	94.74	59.27	35.47
Karnataka	297	2006-07 to 2014-15	4.56	3.58	0.98
U.P (E)	319	2001-02 to 2014-15	5.86	0.44	5.42
Gujarat	293	2012-13 to 2014-15	1.64	0.87	0.77
Odisha	---	2005-06 to 2014-15	22.28	---	22.28
Northern Telecom Region, Delhi	307	2008-09 to 2014-15	65.69	---	65.69
	1854		**399.38**	**175.39**	**223.99**

Annexure-XXIV
Statement showing recovery at the instance of Audit
[Paragraph 5.7]

(₹ in crore)

Sl. No.	Name of Circle	Subject	Period	Amount to be Recov-ered	Amount Recov-ered/ Cancelled	Amount to be Recov-ered
1	Tamil Nadu Telecom Circle	Non-billing of duct charges	May 2002 to March 2015	1.32	0.84	0.48
2	West Bengal Telecom Circle	Excess payment due to delay in finalization of prices of IMPCS expansion projects	February 2007 to May 2014	12.78	12.78	0.00
3	UP(W)	Wasteful Expenditure on defective power plants and batteries	2008 to July 2013	3.48	1.52	1.96
4	Maharash-tra Telecom Circle	Non-adjustment of expenditure from energy charges paid to MSEDCL on USO sites	2008 to 2014	2.76	0.90	1.86
Grand Total				**20.34**	**16.04**	**4.30**

Appendix

Appendix – I

Summarised position of Action Taken Notes awaited from Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited under Department of Telecommunications, MoC&IT up to the Audit Reports 2014 as of September 2015.

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Bharat Sanchar Nigam Limited				
1	6 of 2000	2	Nil	2
2	6 of 2001	2	Nil	2
3	3 of 2002	1	Nil	1
4	6 of 2002	1	Nil	1
5	5 of 2003	6	Nil	6
6	5 of 2004	2	Nil	2
7	5 of 2005	3	Nil	3
8	9 of 2006 (PA)	1	Nil	1
9	13 of 2006	7	Nil	7
10	12 of 2007	9	Nil	9
11	PA 9 of 2008	1	Nil	1
12	CA 10 of 2008	1	Nil	1
13	CA 12 of 2008	8	Nil	8
14	CA 25 of 2009-10	10	Nil	10
15	PA 27 of 2009-10	1	Nil	1
16	9 of 2009-10	1	Nil	1
17	10 of 2010-11 (PA)	2	Nil	2
18	3 of 2011-12	7	1	6
19	8 of 2012-13	3	Nil	3
20	17 of 2014	5	1	4
21	20 of 2015	9	9	Nil
	Total	**82**	**11**	**71**

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under corre-spondence
Mahanagar Telephone Nigam Limited				
1	3 of 1999	1	Nil	1
2	5 of 2003	1	Nil	1
3	5 of 2004	2	1	1
4	5 of 2005	1	Nil	1
5	13 of 2006	1	Nil	1
6	10 of 2007	1	Nil	1
7	12 of 2007	3	Nil	3
8	CA 12 of 2008	1	Nil	1
9	CA 25 of 2009-10	1	Nil	1
10	9 of 2009-10	1	1	Nil
11	8 of 2012-13	1	Nil	1
	Total	**14**	**2**	**12**
Grand Total		**96**	**13**	**83**

APPENDIX-II

Summarised position of Action Taken Notes awaited from Departments under Ministry of Communications & Information Technology (MoC&IT) up to the Audit Reports 2014 as of September 2015.

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Department of Posts				
1	17 of 2014	2	Nil	2
2	20 of 2015	5	Nil	5
	Total	**7**	**Nil**	**7**
Department of Telecommunications				
1	2 of 2004	2	Nil	2
2	9 of 2006 (NTR)	1	Nil	1
3	17 of 2014	3	Nil	3
4	20 of 2015	8	4	4
	Total	**14**	**4**	**10**
Department of Electronics and Information Technology				
1	12 of 2006	1	Nil	1
2	17 of 2014	1	Nil	1
3	20 of 2015	1	1	Nil
	Total	**3**	**1**	**2**
Grand Total		**24**	**5**	**19**

GLOSSARY OF TERMS AND ABBREVIATIONS

BWA	Broadband Wireless access is technology that provides high-speed wireless internet access or computer networking access over a wide area
C-DAC	Centre for Development of Advanced Computing
C-MET	Centre for Materials for Electronics Technology
DPE	The Department of Public Enterprises acts as a nodal agency for all PSEs and assists in policy formulation pertaining to the role of PSEs in the economy as also in laying down policy guidelines on performance improvement and evaluation, financial accounting, personnel management and in related areas. It also collects, evaluates and maintains information on several areas in respect of PSEs. DPE also provides an interface between the Administrative Ministries and the PSEs.
EGoM	Empowered Group of Ministers
ERNET	ERNET India is the National Research and Education Network dedicated to support the needs of the research and education community within the country. It was established in 1998 as an autonomous scientific society under the Department of Electronics & Information Technology (DeitY), Government of India.
GSM	Global System for Mobile communication is a digital mobile telephony system that is widely used in Europe and other parts of the world.
IOBAS	Inter operator billing and accounting system.
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme started under the MGNREG Act 2005 provides enhancement of livelihood security, giving at least 100 days of guaranteed wage employment in every financial year to every household, whose adult members volunteer to do unskilled manual work.
NRSA	The National Remote Sensing Agency in Hyderabad is a Department of Space sponsored organization devoted to the acquisition, processing, and dissemination of remote sensing data. Data is acquired primarily via India's own IRS 1-A and 1B, as well as satellites belonging to other countries, such as USA's Landsat.
Section 25 company	Section 25 company is one of the popular forms of Non- Profit Organisation in India. Section 25 companies, under the Companies Act 1956, are companies formed for promoting commerce, art, science, religion, charity or any other useful object.
WiMAX	Worldwide Interoperability for Microwave Access is a family of wireless communications standards initially designed to provide 30 to 40 megabit-per-second data rates, with the 2011 update providing up to 1 Gbit/s for fixed stations.
WLL	Wireless in local loop