

OVERVIEW

This Report contains significant audit findings which arose from the performance and compliance audit of the Ministry of Communications and Information Technology. It contains six chapters. Chapter I gives a brief introduction of the Ministry of Communication and Information Technology while **Chapters II to V** relate to present findings/observations arising out of the performance and compliance audit of Department of Telecommunications (DoT), Department of Posts (DoP), Department of Electronics and Information Technology (DeitY) and Public Sector Undertakings (PSUs) under the Ministry. Chapter VI presents a summarised position of the Action Taken Notes furnished by the Departments under the Ministry.

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

Chapter-II Department of Telecommunications

Functioning of TERM Cells in Department of Telecommunications

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

Paragraph 2.1

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

Amendment in UAS/CMTS licences in June 2008 in irregular manner facilitated unilateral sharing of spectrum by the telecom service providers in the guise of Intra Service Area Roaming (ISAR) without making any payment of one time charge for spectrum holding above 4.4 MHz (GSM) based on reserve price/auction price of auction held on November 2012 (for permission of sharing of spectrum) and the additional spectrum usage charges at

the enhanced rate for combined spectrum holding as applicable comes to ₹ 8,210 crore and ₹ 1,394.53 crore respectively.

Paragraph 2.2

Hasty merger of Chennai Metro and Tamil Nadu Telecom Circles

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

Paragraph 2.3

Undue favour to CDMA licencees

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

Paragraph 2.4

Undue favour to operators using dual/multiple technology

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

Paragraph 2.5

Inordinate delay in issue of demand letters to eight telecom licencees

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

Paragraph 2.6

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

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

Paragraph 2.8

Chapter-III Department of Posts

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

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

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

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

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

Paragraph 3.1

Banking and Money transfer operations in Department of Posts

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

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

Paragraph 3.2

Chapter IV Department of Electronics and Information Technology

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

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

Audit observed that none of the States could adhere to the time frame proposed for the projects. There was lack of synchronization in the execution of projects leading to delays in e-delivery of services. The pace of utilisation of the infrastructure like SWAN and SDC

in furthering e-governance in ten States selected for Audit was found to be slow. Therefore there is a need for close monitoring at DeitY as well as State level for optimum utilization of the infrastructure created under NeGP for delivering services to common citizen.

Paragraph 4.1

Chapter V Public Sector Undertakings under the Ministry

Inordinate delay in commissioning of OAN projects

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

Paragraph 5.2

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

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

Paragraph 5.6

Imprudent Investment in GPON/GEPON Project

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

Paragraph 5.10