CHAPTER-I

INTRODUCTION

1.1. About this Report

This Report of the Comptroller and Auditor General (CAG) of India for the year ended 31 March 2017 relates to matters arising from Audit of financial transactions of Ministry of Communications (MoC) and Ministry of Electronics & Information Technology (MeitY) under the Government of India including Departments/Public Sector Undertakings (PSUs) under the administrative control of these Ministries.

This Chapter provides a profile of the Ministry/Departments/entities under these Ministries and a brief analysis of their receipt and expenditure. This chapter also includes follow up on audit observations on these Ministries/Departments and PSUs under the Ministries. Chapters II to IV relate to present findings/observations arising out of the Audit of Department of Telecommunications (DoT), Department of Posts (DoP) and Public Sector Undertakings (PSUs) under these Ministries respectively.

1.2. Authority for Audit

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

1.3. Planning and conduct of Audit

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

Profile of Audited Entities

1.4. Ministry of Communications

1.4.1. Department of Telecommunications (DoT)

Department of Telecommunications (DoT) is responsible for policy formulation, performance review, monitoring, international cooperation and Research &

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[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] Audit of accounts of Government companies and corporations (not being companies) established by or under law made by Parliament

Development in telecommunication sector. The Department also allocates frequency and manages radio communications in close coordination with 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 basic and value added services in various telecom circles as per the approved policy of the Government.

➢ Analysis of Revenue and Expenditure

The comparative position of revenue and expenditure of DoT during 2016-17 and in the preceding four years is given in the table below:

Table-1: Revenue and Expenditure of DoT

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue	18,902.00	40,113.76	30,624.18	55,129.10	70,241.14
Expenditure	9,273.38	10,835.57	13,026.14	23,584.81	31,067.78

(Source: Appropriation and Finance Accounts of DoT)

Major components of Expenditure are expenses on account of communication services (58 *per cent*) and pension and other retirement benefits (30 *per cent* approx.). 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 the last five years are given below:

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

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
License Fee	11,456.48	14,628.47	12,358.29	15,771.27	15,614.44
Spectrum Revenue[4]	7,401.43	25,150.85	17,841.93	36,486.91	53,860.69

(Source: Finance Accounts, Union Government 2016-17)

During 2016-17, Spectrum Usages charges increased by 47.62 *per cent* over 2015-16 due to increase in receipts from Mobile Services.

➢ Brief Profile of the Telecom Sector

Telecommunications has evolved as one of the critical components of economic growth required for overall socio economic development of the country. The telecom sector witnessed phenomenal growth during the past decade. During the period from 2012-13 to 2016-17, the number of telephone subscribers increased from 89.80 crore to 119.50 crore. The status of overall growth for the year 2012-13 to 2016-17 in the telecom sector is given below:

[4] Includes Spectrum Usage Charges and Auction Fee (both Upfront as well as Deferred Payment).

Table-3: Status of Growth in the Telecom Sector

Year	Subscribers (in crore)					Tele density (in percentage)		
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban#
2012-13	89.80	34.92	54.88	3.02	86.78	73.32	41.02	146.96
2013-14	93.30	37.77	55.53	2.85	90.45	75.23	43.96	145.78
2014-15	99.65	41.93	57.72	2.66	96.99	79.38	48.37	148.61
2015-16	105.93	44.78	61.16	2.52	103.41	83.40	51.26	154.18
2016-17	119.50	50.18	69.32	2.44	117.06	91.08	56.47	166.71

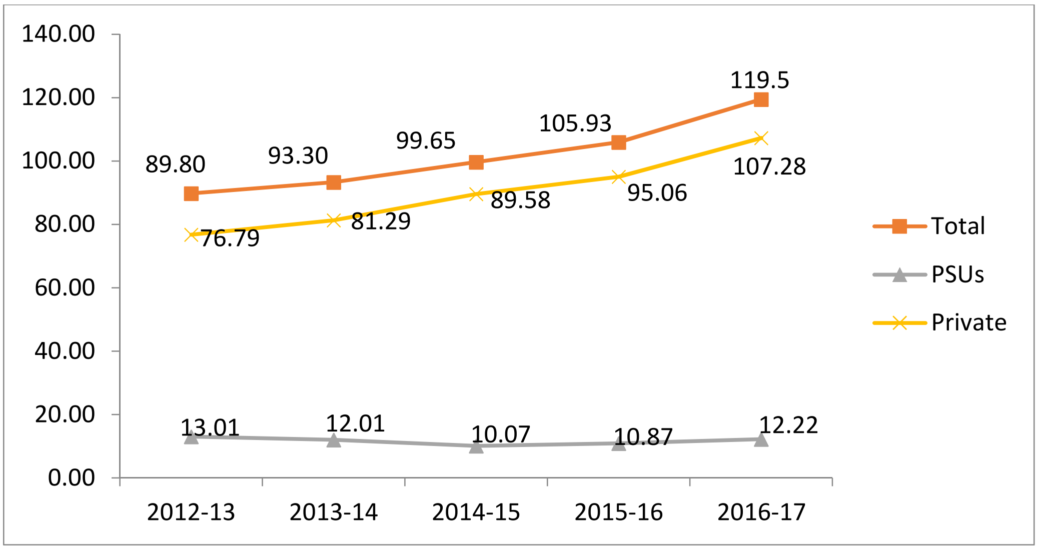
(Source: Annual Reports of Department of Telecommunications (DoT)

Percentage tele density in urban areas is more than 100 *per cent* due to the fact that most of the customers have more than one connection.

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

Chart 1: Growth in subscriber base - Private versus PSUs

Number of Subscribers (in crore)



(Source: Monthly Telecom Scenario from DoT)

As is evident from the above graph, the subscriber base of Private Telecom companies is significant in comparison to Public Sector Telecom companies. During the last five years, the subscriber base of PSUs reduced by 7 *per cent* (from 13.01 crore in 2012-13 to 12.22 crore in 2016-17) whereas subscribers of private companies increased by 40 *per cent* (from 76.79 crore to 107.28 crore) during the same period.

➢ Regulatory Framework of the sector

Telecom Regulatory Authority of India (TRAI)

Telecom Regulatory Authority of India (TRAI) was established with effect from 20 February 1997 by an Act of the Parliament to regulate telecom services including fixing/revision of tariffs for telecom services which was earlier vested in the Central

Government. The main objective of TRAI is to provide an environment, which is fair and transparent, encourages competition, promotes a level-playing field for all service providers, protects the interest of consumers and enables outreach of technological benefits to one and all. Under the TRAI Act, TRAI is mandated to

- ensure compliance of the terms and conditions of telecom licenses;
- 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 09 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-motu* or on a reference from the licensor i.e. Department of Telecommunications, Ministry of Communications or Ministry of Information and Broadcasting in the case of Broadcasting and Cable Services.

Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT)

Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) was set up effective from 24 January 2000 by way of an amendment to the TRAI Act 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 constituted a Universal Service Obligation Fund (USOF) by an Act of Parliament with effect from 01 April 2002. The resources for meeting Universal Service Obligation (USO) were to be raised through a Universal Access Levy (UAL) as a percentage of revenue earned by all telecom 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 by appropriation on this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting USO. An amount of ₹ 85,716.80 crore was collected by DoT as USO levy upto 31 March 2017 and credited to Consolidated Fund of India. However, out of this amount, only ₹ 37,309.26 crore (43.53 *per cent*) was received by DoT through appropriation by Parliament and credited to USO Fund as of 31 March 2017. This included ₹ 6,948.64 crore adjusted in 2008-09 on account of reimbursement to Bharat Sanchar Nigam Limited (BSNL) during the years 2002-06 towards License Fee and Spectrum Charges for fulfilling rural obligation under USOF. Thus, an amount of ₹ 48,407.54 crore has still not been transferred to the USOF by the Government of India.

1.4.2. Public Sector Undertakings (PSUs) under administrative control of the Department

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

Bharat Sanchar Nigam Limited

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, Wireless in Local Loop (WLL) and Global System for Mobile Communications (GSM), Broadband, Internet, Leased Circuits and Long Distance Telecom Service. The Company's total revenue during the year 2016-17 was ₹ 31,533.44 crore and it incurred a loss of ₹ 4,793.21 crore.

The overall performance of the company in the past three years is detailed below:

Table-4: Performance of BSNL during last three years

Year	Revenue	Expenditure	Loss	Subscriber base		
				Wireline	Wireless	Total
	(₹ in crore)			(in crore)		
2014-15	28,645.20	37,292.10	8,234.09	1.64	7.72	9.36
2015-16	32,918.70	36,742.72	3,879.92	1.48	8.68	10.16
2016-17	31,533.44	36,326.65	4,793.21	1.38	9.62	11.00[5]

An analysis of the above data reveals that although the revenue of the company increased during 2015-16, however it decreased during 2016-17. Further, the subscriber base of wireline consumers showed decreasing trend whereas it increased in case of wireless subscribers during 2014-15 to 2016-17.

Mahanagar Telephone Nigam Limited

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 also provides dial up internet services in Delhi and Mumbai under separate non-exclusive license agreement. It also provides broadband and 3G services. The Government disinvested 20 *per cent* shares to banks/their subsidiaries and financial institutions in 1994. MTNL is a listed Company as on date and 56.25 *per cent* shares are with Government and rest with private shareholders. The Company's total revenue during the year 2016-17 was ₹ 3,552.46 crore and it incurred a loss of ₹ 2,970.57 crore.

The overall performance of the company in the past three years is detailed below:

Table-5: Performance of MTNL during last three years

Year	Revenue	Expenditure	Loss	Subscriber base		
				Wireline	Wireless	Total
	(₹ in crore)			(in crore)		
2014-15	3,821.06	6,723.48	2,893.41	0.36	0.35	0.71
2015-16	3,512.71	6,351.19	2,005.74	0.35	0.36	0.71
2016-17	3,552.46	6,497.91	2,941.08	0.35	0.36	0.71

The revenue of the company marginally increased during the year 2016-17 when compared to 2015-16. The expenditure showed a downward trend during the period

5 Subscriber base is available as per Annual Report of DoT (up to November 2016)

from 2014-15 to 2016-17. The subscriber base of wireline and wireless consumer more or less remained the same.

Millennium Telecom Limited (MTL)

Millennium Telecom Limited (MTL) was formed as wholly owned subsidiary company of Mahanagar Telephone Nigam Limited (MTNL) in the year 2000 for setting up submarine cable project and to provide IT solutions. The Company's total revenue was ₹ 5.12 crore and it earned a profit of ₹ 0.40 crore during the year 2016-17.

Indian Telephone Industries Limited (ITI)

ITI 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's total revenue during the year 2016-17 was ₹ 1,903.99 crore and it earned a profit of ₹ 304.88 crore.

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 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's total revenue during the year 2016-17 was ₹ 1,205.11 crore and it earned a profit of ₹ 70.82 crore.

Tamilnadu Telecommunications Limited (TTL)

Tamilnadu Telecommunications Limited (TTL) was incorporated in 1988 as a three way joint venture of TCIL (49 *per cent*), Tamilnadu Industrial Development Corporation Limited (TIDCO) (14.63 *per cent*) and Fujikura Limited of Japan (7.18 *per cent*). The balance shares are held by banks and financial institutions, private trust, Non-Resident Indians (NRIs) and the Indian public. TTL manufactures optical fibre cables for Telecommunications. This company has been referred to BIFR and a scheme of restructuring was sanctioned on 21 July 2010. It has also diversified into Tablet PC and FTTH (Fibre to the Home) components. The Company's total revenue in 2016-17 was ₹ 2.68 crore and it incurred a loss of ₹ 16.26 crore.

Intelligent Communications Systems India Limited (ICSIL)

Intelligent Communications Systems India Limited (ICSIL) was incorporated in 1987 as a joint venture of TCIL and Delhi State Industrial and Infrastructure Development Corporation (DSIIDC), an undertaking of Delhi Government, where TCIL has 36 *per cent* shareholding and DSIIDC has 40 *per cent* shareholding. The company is engaged in trading of hardware items such as computer/telecom/IT equipment of reputed brands. It also supplies manpower to various organizations and provides education through licensees under individual agreements with each one of them. It also undertakes annual maintenance contracts of hardware items. The Company's total revenue during 2016-17 was ₹ 147.81 crore and it earned a profit of ₹ 3.66 crore.

TCIL-Bina Toll Road Limited

TCIL-Bina Toll Road Limited is a fully held subsidiary of TCIL and was incorporated in 2012. This company was created with the objective of execution of Infrastructural Project viz. the Toll Road Project between Bina and Kurwai Town in the State of Madhya Pradesh, India on design, build, finance, operate and transfer (DBFOT) basis. The company started its commercial operation in April 2014. The Company's total revenue during the year 2016-17 was ₹ 5.15 crore and it incurred a loss of ₹ 10.46 crore.

TCIL-Lakhnadone Toll Road Limited

TCIL-Lakhnadone Toll Road Limited, a fully held subsidiary of Telecommunications Consultants India Limited (TCIL) was incorporated in 2013. It's a Special Purpose Vehicle created with an objective of executing the Concessionaire Agreement with Madhya Pradesh Road Development Corporation Limited (MPRDC) for the development of Lakhnadone Toll Road Project. Concessionaire agreement with MPRDC was entered into by TCIL in September 2011and a tripartite agreement was entered into between TCIL, MPRDC and the Company in August 2014 to substitute the name of TCIL with that of the Company. Further, TCIL would work as a supporting organization till completion of the project and hand it over to the Company. The company earned revenue of ₹ 1.93 crore and incurred a loss of ₹ 4.64 crore during 2016 -17.

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 fiber wherever necessary to bridge the connectivity gap between Gram Panchayats and Blocks, which would ensure broadband connectivity with adequate bandwidth. The Company's total revenue was ₹ 106.33 crore and it earned a profit of ₹ 22.85 crore during the year 2016-17.

Hemisphere Properties India Limited (HPIL)

Hemisphere Properties India Limited (HPIL), a public limited company, was incorporated in 2005 and became a Government company from 18 March 2014. The company was incorporated pursuant to clause 7.10 of Share Purchase Agreement and 4.7 of Share Holders Agreement executed on 13 February 2002 between the Government of India and M/s Panatone Finvest Limited and other Tata Group companies wherein the surplus land identified at the time of disinvestment of Videsh Sanchar Nigam Limited (VSNL) was to be demerged into the Company. Government of India owns 51.12 *per cent* equity shares through Department of Telecommunications and remaining are owned by M/s. Tata Capital Limited and Af-taab Investment Company Limited. The paid up share capital of the company is ₹ 5.00 lakh. The company earned a revenue of ₹ 5.88 lakh during the year 2016-17 and incurred a loss of ₹ 1.02 lakh.

1.4.3. Department of Posts (DoP)

The postal network of India is the largest network 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. The Postal Department has also undertaken responsibility for social benefit payments such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and social security pension schemes.

Financial Performance

The earnings of the Department are in the form of 'Revenue Receipts' and 'Recoveries[6]'. The revenue receipts, recoveries and revenue expenditure of DoP for the years 2012-13 to 2016-17 are shown in the table below:

Table-6: Revenue receipts and Revenue expenditure of DoP

(₹ in crore)

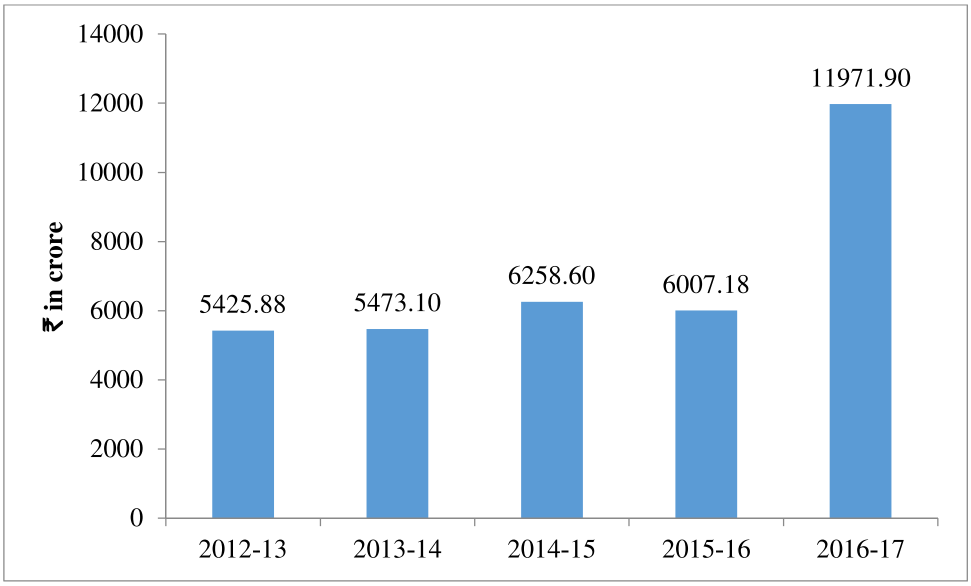
Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2012-13	9,366.50	688.77	15,481.15	5,425.88
2013-14	10,730.42	593.19	16,796.71	5,473.10
2014-15	11,635.98	661.98	18,556.56	6,258.60
2015-16	12,939.79	707.70	19,654.67	6,007.18
2016-17	11,511.00	730.90	24,211.85	11,971.90

(Source: Appropriation Accounts of DoP)

[6] Represents recoveries on account of Services rendered to other Governments and Departments of Union Government

There was a deficit of ₹ 11,971.90 crore on postal services[7] in 2016-17. The main reason for the deficit as attributed by the Department was increase in Working Expenses due to increased expenditure under salary, domestic travel expenses, office expenses, professional services and other charges, etc. The comparative position of deficit in postal services during the period from 2012-13 to 2016-17 is as under:

Chart 2: Deficit in Postal Services



1.4.4. Public Sector Undertakings under the Administrative Control of the Department

India Post Payments Bank Limited

India Post Payments Bank Limited (IPPB) was incorporated as a Public Limited Company on 17 August 2016, under the Department of Posts, with 100 *per cent* equity from Government of India. The Company commenced operations with effect from 28 January 2017. IPPB will offer demand deposits, such as savings and current accounts, up to a balance of ₹ 1 lakh, digitally enabled payments and remittance services between entities and individuals and also provide access to third-party financial services, such as insurance, mutual funds, pension, credit products, forex, etc. in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organizations, etc. The Company's total revenue was ₹ 44.98 crore and it earned a profit of ₹ 2.22 crore during the period ending 31 March 2017.

1.5. Ministry of Electronics and Information Technology (MeitY)

Ministry of Electronics and Information Technology (MeitY) plays an important role in the development of Electronics and Information Technology sector**.** The vision of

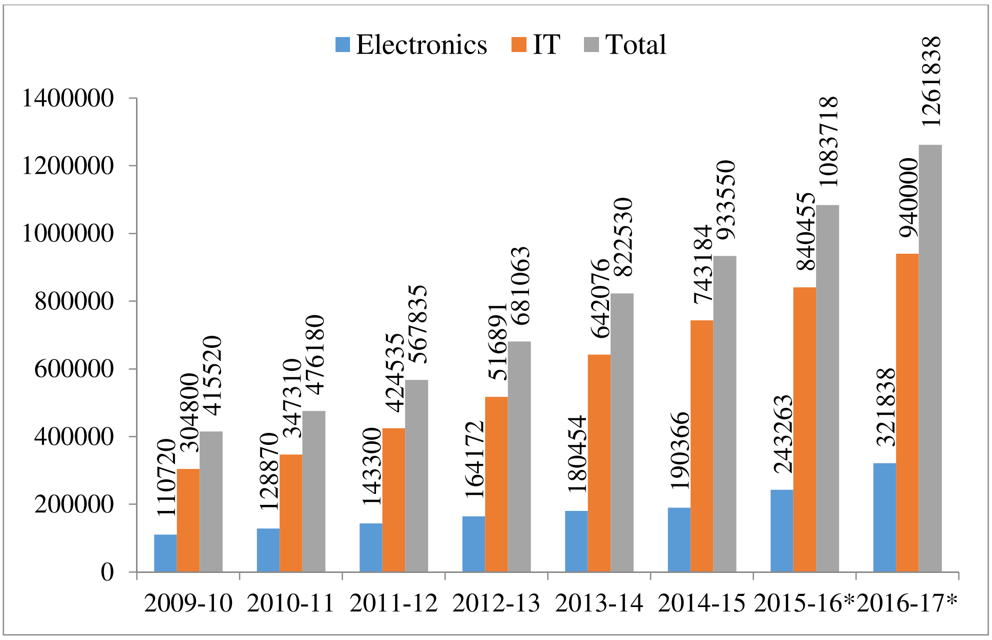
[7] Deficit was calculated as the difference between revenue receipts plus recoveries and revenue expenditure, i.e., {(₹ 11,511.00+ ₹ 730.90) - ₹ 24,211.85}

MeitY 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 of Indian Electronics and IT-ITeS (Information Technology Enabled Services) industry from 2009-10 to 2016-17 is given in the chart below:

Chart 3: Electronics and IT production

(₹ in crore)



(Source: Annual Report of MeitY)

** Estimated figures are based on inputs from Industry Associations, Ministries and other Organizations.*

The 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.

In order to carry out its functions, MeitY is provided with budgetary support in the form of Grants from the Government of India. The Grants received vis-à-vis Expenditure incurred by MeitY during the period from 2012-13 to 2016-17 is given in the table below.

Table-7: Grants vis-à-vis expenditure

(₹ in crore)

Year	Amount of Grant	Total Expenditure
2012-13	3,051	1,903
2013-14	3,052	2,166
2014-15	3,929	3,583
2015-16	2,759	2,594
2016-17	3,719	3,641

(Source: Appropriation Accounts of MeitY)

There are five organizations[8] and seven Autonomous Societies[9] under MeitY in addition to one statutory authority viz. Unique Identification Authority of India (UIDAI) and two attached offices viz. National Informatics Centre (NIC) and Standardisation, Testing and Quality Certification Directorate (STQC).

Unique Identification Authority of India (UIDAI)

The Unique Identification Authority of India (UIDAI) is a statutory authority established under the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act 2016") on 12 July 2016 by the Government of India, under the Ministry of Electronics and Information Technology (MeitY).

Prior to its establishment as a statutory authority, UIDAI was functioning as an attached office of the then Planning Commission (now NITI Aayog) vide its Gazette Notification No.-A-43011/02/2009-Admn.I) dated 28th January, 2009. Later, on 12 September 2015, the Government revised the Allocation of Business Rules to attach the UIDAI to the Department of Electronics & Information Technology (DeitY) of the then Ministry of Communications and Information Technology.

UIDAI was created with the objective to issue Unique Identification numbers (UID), named as "Aadhaar", to all residents of India that is (a) robust enough to eliminate duplicate and fake identities, and (b) can be verified and authenticated in an easy, cost-effective way. Expenditure of UIDAI during 2016-17 was ₹ 1132.84 crore against budgetary grant of ₹ 1135.27 crore.

National Informatics Centre (NIC)

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

(a) Centrally sponsored schemes and Central Sector schemes,

(b) State sector and State sponsored projects, and

(c) District Administration sponsored projects.

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

9 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)

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 clients and to align with MeitY mandate to focus on IT sector. Expenditure of STQC during 2016-17 was ₹ 108.26 crore against budgetary grant of ₹ 115.00 crore.

1.5.1. Public Sector Undertakings (PSUs) under administrative control of the Ministry

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

Digital India Corporation

Digital India Corporation, formerly known 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 the company include use of ICT for Healthcare, Education, Livelihood and Empowerment of Disabled. It is a company which is limited by guarantee and does not have any share capital. The audit of this company was entrusted to CAG under the provisions of sections 143(5) and 143(6) of Companies Act, 2013. The company works with leading institutions for undertaking development work. The Company earned ₹ 279.31 crore during 2016-17 of which ₹ 279.29 crore (99.99 *per cent*) was received through Grant-in-aid.

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's total revenue was ₹ 1,327.07 crore and surplus after tax during the year 2016-17 was ₹ 64.41 crore.

1.6. Budget and Expenditure Controls

A summary of Appropriation Accounts for 2016-17 in respect of DoT, DoP and MeitY is given in Table 8:

Table-8:
Details of grants (voted and charged) received and expenditure incurred for the two Departments under Ministry of Communications and Ministry of Electronics & Information Technology

(₹ in crore)

Sl. No.	Ministry/Department	Grant/Appropriation (including supplementary grant)	Total Expenditure	(-) Savings/ (+) Excess
1.	Department of Telecommunications	31,167.04	31,067.78	(-) 99.26
2.	Department of Posts	23,832.36	24,716.30	(+) 883.94
3.	Ministry of Electronics and Information Technology	3,718.89	3,641.38	(-) 77.51

(Source: Appropriation Accounts of the Departments for 2016-17)

1.7. Recoveries at the instance of Audit

During the course of Audit, an instance of excess payment by BSNL was noticed as detailed below:

BSNL entered (February 2008) into agreements with various Infrastructure Providers (IPs) for the purpose of providing telecom services. As per the agreements, payments were to be made to IPs considering "Basic Composite Rate'. Though the rates were amended and were applicable for sites installed after a particular date, BSNL continued to make payments at old rates resulting in excess payment of ₹ 9.13 crore. An amount of ₹ 9.03 crore was recovered after being pointed out by Audit.

1.8. 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 (Communications & IT) up to the year 2017 revealed that ATNs in respect of 43 paragraphs relating to two departments under MoC viz. DoP & DoT and 1 paragraph pertaining to MeitY were pending as of January 2018 as detailed in ***Appendix-I***.

1.9. 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 has been 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 COPU 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 PSUs under the administrative control of MoC and MeitY included in the Audit Reports up to the year 2017 revealed that ATNs in respect of 112 paragraphs were pending as of January 2018 as detailed in the ***Appendix-II***.