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# OVERVIEW

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This Report of the Comptroller and Auditor General of India contains significant audit findings which arose from the compliance audit of the Ministry of Communications and Ministry of Electronics and Information Technology. It contains six chapters. **Chapter I** gives a brief introduction of the Ministry of Communications (MoC) and Ministry of Electronics and Information Technology (MeitY). **Chapters II to VI** are divided into two sections. While **Section A**, containing **Chapters II to IV**, relates to present findings/ observations arising out of the compliance audit of Department of Telecommunications (DoT) and Department of Posts (DoP) under Ministry of Communications and Ministry of Electronics and Information Technology respectively, **Section B** containing **Chapters V and VI** relates to audit findings of Public Sector Undertakings (PSUs) under the MoC and MeitY respectively.

The Report contains 19 audit observations which are summarised below based on its category of irregularities:

Category	Cases	Paras
a. Establishment related matters – irregular payments, excess expenditure, non-recovery, etc.	5	3.1, 3.3, 3.4, 3.6 and 4.4
b. Loss to Department/PSUs	3	3.2, 4.3 and 5.1
c. Non Compliance to Scheme guidelines/ Acts/ Rules & Regulations/Agreements	2	5.2 and 5.3
d. Deficiencies in Project Management	5	2.1, 2.2, 3.5, 4.2 and 6.1
e. Unfruitful expenditure	1	4.1
f. Irregularities in entitlements	2	2.3 and 4.5
g. Recoveries at the instance of Audit	1	1.9

Audit findings are briefly described below:

### Section A Ministries/Departments

#### Chapter II: Department of Telecommunications

##### Implementation of USOF project (Phase I) to provide mobile services in areas affected by Left Wing Extremism.

The USO Fund is an important mechanism established by the Government of India for providing communication services in remote and difficult areas of the country. The project for providing mobile services in LWE affected areas with funding from USOF was thus a significant initiative in this direction.

Audit of the project, showed that USOF /DoT had chosen a technology for the project which was delivering sub-optimal performance, and had limited scope for being

augmented which had impacted performance of the network. In addition, though the project had been substantially commissioned, there were delays ranging from 3 to 18 months. The project duration including O&M has since been extended from September 2020 to June 2022. Audit found that monitoring and evaluation of the project was also inadequate.

On account of the above there is limited assurance that the expected outcomes in terms of providing critical communications facilities in remote and disturbed areas would materialise despite expenditure of ₹ 3,112.32 crore on the project. A different approach involving use of latest available technology along with review and up-gradation of technology would have ensured value for money and better communication facilities in LWE areas.

*(Para 2.1)*

### **Non-establishment of Laboratories by Telecommunication Engineering Centre**

The Indian Telegraph Rules, 1951, provide that every telecom equipment must undergo prior mandatory testing and certification. The Indian Telegraph (Amendment) Rules 2017 stipulated mandatory testing and certification of telecom equipment (MTCTE) and Telecommunication Engineering Centre (TEC) was designated as the authority for administering MTCTE in India.

As TEC was the testing and certification body of the Government for telecom products, equipment and services, DoT approved the establishment of five Next Generation Network Labs (NGN) and three other labs viz SAR, Security and Green Passport Lab in TEC. This role has acquired greater significance after TEC's designation as the authority for administering mandatory testing and certification of telecom equipment (MTCTE) from 2017.

Audit scrutiny revealed several shortcomings in TEC's performance with regard to establishment of the Labs. In the case of NGN labs, while one Lab was dropped (Transmission Lab), only one (Transport Lab) of the remaining four had been established which is also only partially functional due to disputes with vendor. The remaining three labs (Access Lab, CPE and TL Lab and Control Layer Lab) have been affected by inordinate delays at all stages of which while one is reportedly nearing completion (Control Layer Lab), two are still in the tendering stage despite a decade having gone by since their original approval.

In the case of the other three Labs, only the SAR lab which has implications for health, had been established but has remained non-functional due to legal disputes. The other two labs viz the Security Lab and the Green Passport Lab were yet to be established though five to six years have passed since these were approved, despite their significance for National Security and environment respectively. The delay in setting up the Security Lab especially has implications for compliance with the statutory requirements for indigenous security testing and certification.

As a result, the basic objective of standardising testing and certifications processes and procedures in the context of NGNs, was not met. In addition in the absence of the NGN Labs, TEC continued to rely on and accept certificates issued by notified International Laboratory Accreditation Corporation.

*(Para 2.2)*

### **Irregular payment of ad-hoc bonus by C-DOT to its employees**

C-DoT disbursed ad-hoc bonus amounting to ₹ 56.60 lakh for the years 2015-16 and 2018-19, even though no orders were issued by the Ministry of Finance for payment of ad-hoc bonus to the employees of Autonomous Bodies (ABs). This resulted in irregular payment which needs to be recovered from the concerned employees or regularized.

*(Para 2.3)*

## **Chapter III: Department of Posts**

### **Irregular hiring of casual labourers without Contract/ Agreement**

Department of Posts, in eighteen (18) postal circles, directly hired / engaged casual labourers on daily wages for various tasks like mail sorting, delivery of mails, loading and unloading of mails / parcels and back office work etc., without entering into valid contracts/ agreement in contravention of the General Financial Rules (GFR), orders and instructions issued by Department of Post from time to time on outsourcing of man power resulted in irregular expenditure of ₹ 95.94 crore.

*(Para 3.1)*

### **Loss of ₹ 12.22 crore and liability of ₹ 15.33 crore due to non-execution of MoU**

Andhra Pradesh and Telangana Postal Circles failed to follow the Postal Directorate instructions directing the Circles to enter into a special tie-up or MoU with the respective State Governments to claim service charges from them for the value-added services provided in disbursement of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wages and did not enter into any such tie-up/ MoU with the State Governments. This resulted in loss of ₹ 27.55 crore since they could not get the expenditure reimbursed from the State Governments in the absence of a tie-up/ MoU.

*(Para 3.2)*

### **Non-recovery of Building and Other Construction Workers Welfare Cess**

Seven Postal Circles under the Department of Posts did not comply with the provisions of the Building and Other Construction Workers Welfare Cess (BOCWWC) Act, 1996 and failed to recover and remit the cess meant for welfare measures of construction workers to State Building and Other Construction Workers Welfare Boards amounting to ₹ 1.93 crore for the period 2014-15 to 2017-18.

*(Para 3.3)*

### **Irregular retention of pension contribution under New Pension Scheme (NPS) by Department of Posts**

Due to failure of the DDOs and PAOs to promptly ensure registration of new entrants under NPS and generation of PRANs, Department of Posts irregularly retained both the employee and employer's share of the pension contribution under NPS amounting to ₹ 19.16 crore during the period 2011-19 which also resulted in monetary loss of ₹ 1.88 crore to the concerned employees due to failure to invest these contributions in Trustee.

*(Para 3.4)*

### **Infructuous expenditure on procurement of Remotely Managed Franking Machines**

Department of Posts decided (July-August 2011) to introduce and procure Remotely Managed Franking Machines (RMFMs) for Departmental use, in place of Electronic Franking Machines. Accordingly, in eight Postal Circles, 159 RMFMs were procured at a cost of ₹ 2.51 crore, of which 104 RMFMs worth ₹ 1.47 crore, were lying unutilised due to compatibility, capacity and maintenance issues, rendering the expenditure infructuous.

*(Para 3.5)*

### **Excess expenditure on Energy Charges due to application of incorrect tariff categorization.**

Test check in 336 Post Offices in Maharashtra Postal Circle revealed that these units did not get their electricity connections categorized as "Public Services" from "Commercial" and paid avoidable excess energy charges amounting to ₹ 58.41 lakh during the period June 2016-March 2018. These higher charges were paid by formations under the DoP without adequate scrutiny of the bills.

*(Para 3.6)*

## **Chapter IV: Ministry of Electronics and Information Technology**

### **Unfruitful expenditure on project for providing broadband connectivity in North East Region and other Inaccessible Regions**

Deficient planning, delayed implementation and non-resolution of issues by MeitY relating to a project for providing broadband connectivity to Common Services Centres (CSCs) in North East Region and other inaccessible region of the Country, led to sub-optimal use and idling of equipment. As a consequence, expenditure incurred on installation of Very Small Aperture Terminal (VSAT) equipment of ₹ 8.63 crore and of ₹ 26.46 crore on "OPEX" by National Informatics Centre Services Incorporated (NICSI) for the project was rendered unfruitful.

*(Para 4.1)*

### **Injudicious Cancellation of Tender**

C-DAC, Thiruvananthapuram cancelled the tender for the project related to “cyber-security” at the insistence of MeitY and subsequent retendering for the same project led to avoidable increase in project cost of ₹ 5.37 crore.

*(Para 4.2)*

### **Non-recovery of web hosting charges by the NIC**

NIC State Centres failed to comply with instructions on billing for charges for services provided by NIC to Public Sector Undertakings (PSUs) and certain categories of Autonomous Bodies (ABs). This led to non-recovery of web hosting charges of ₹ 2.69 crore from PSUs and ABs whose websites were being hosted by NIC.

*(Para 4.3)*

### **Avoidable payment of Agency Commission**

NeGD failed to ensure adherence to Government of India instructions regarding release of print media advertisement through DAVP, which resulted in avoidable payment of ₹ 1.21 crore to agencies other than DAVP.

*(Para 4.4)*

### **Irregular payment of ad-hoc bonus by C-DAC to its employees**

C-DAC disbursed ad-hoc bonus amounting to ₹ 97.70 lakh for the years 2015-16 and 2016-17, even though no orders were issued by the Ministry of Finance for payment of ad-hoc bonus to the employees of ABs. This resulted in irregular payment which needs to be recovered from the concerned employees or regularized.

*(Para 4.5)*

## **Section B**

### **Public Sector Undertakings under the Ministries**

#### **Chapter V: Public Sector Undertakings under the Ministry of Communications**

##### **Management of Land and Estate at Bengaluru by ITI Limited**

Review of Land & Estate Management of land holdings of the Company at Bengaluru revealed that, though the Company had substantial land holdings, it had not instituted an effective land management function comprising of a land management policy and a supporting administrative structure. Even though the Company has been in existence for decades, it does not have complete and updated records for its land holdings. As a result, weaknesses were found with respect to its management of vacant land and of leasing and transfer of land. It was unable to commercially exploit its vacant land of 89.495 acres and vacant buildings and leverage the same to generate additional revenue. The faulty management of leases and transfers of land resulted in transfer of property to public sector/ government entities, without agreements and without formal approvals, and in failure to extend leases on time or at favourable terms which together

led to a total loss of revenue to the Company of ₹ 160.16 crore and of land of 13.98 acres.

*(Para 5.1)*

**BSNL’s failure to invoke terms of Interconnect Agreements in time exposed it to risk of loss of revenue**

BSNL failed to take timely action to monitor and enforce payment of dues in terms of the Interconnect Agreements, leading to accumulation of dues of ₹ 51.83 crore from Aircel Group of Companies which filed for bankruptcy. As BSNL is an operational creditor it faces a higher risk of non-recovery of outstanding dues and loss of revenue.

*(Para 5.2)*

**Failure to comply with agreement conditions leading to short-billing of annual escalation charges by BSNL.**

Erroneous application of annual escalation in calculation of monthly rentals for sharing Passive Telecom Infrastructure in case of a Private Service Provider (PSP) led to short-billing by eleven circles and Calcutta Telecom District of BSNL of ₹ 13.65 crore. While ₹ 12.49 crore was recovered from the PSP at the instance of audit, balance of ₹ 1.16 crore was yet to be recovered.

*(Para 5.3)*

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

**Procurement of hardware/ software items to the tune of ₹ 890.34 crore through Strategic Alliance**

NICSI procured hardware and software costing ₹ 890.34 crore through the “Strategic Alliance” route in contravention of General Financial Rules, 2005 and departmental instructions and thus failed to ensure transparency and competitiveness in the procurement process.

*(Para 6.1)*