



**Report of the  
Comptroller and Auditor General of India  
for the period ended March 2019**



**लोकहितार्थ सत्यनिष्ठा**  
Dedicated to Truth in Public Interest

**Union Government  
Communications and IT Sector  
Report No. 3 of 2021  
(Compliance Audit)**



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## PREFACE

This Report for the years ended March, 2018 and 2019 has been prepared for submission to the President under Article 151 of the Constitution of India. Chapter V and VI of the Report which pertain to Public Sector Undertakings under the Ministry of Communications and Ministry of Electronics & Information Technology has been prepared for submission to the President under Section 19(A) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service (DPC)) Act, 1971 as amended in 1984.

This Report of the Comptroller and Auditor General of India contains significant results of Compliance Audit of the Ministry of Communications and Ministry of Electronics & Information Technology and the Departments/ Public Sector Undertakings under these Ministries. The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2017-18 and 2018-19 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.



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# OVERVIEW

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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
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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)*

# Chapter-I

## Introduction

### 1.1 About this Report

This Report contains the significant results of the Compliance Audit of financial transactions of the 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 for the financial year (FY) 2017-18 and 2018-19. It contains 19 illustrative cases of irregularities covering the Ministries/ Departments/ PSUs including a case relating to recovery at the instance of audit.

The Report has been organised into two sections, **Section A** and **Section B**. **Section A** contains compliance audit issues relating to Department of Telecommunications (DoT), Department of Posts (DoP) and MeitY while **Section B** contains issues relating to PSUs under the Ministries. Chapters of this Report are as under:

**Chapter I** provides a profile of the Ministry/ Departments/ Entities under these Ministries and a brief analysis of their receipt and expenditure. It also includes follow up on audit observations on these Ministries/ Departments and PSUs under the Ministries.

**Chapters II to IV** under **Section A** contain findings/ observations arising out of the Audit of DoT, DoP under MoC and MeitY.

**Chapters V and VI** under **Section B** contain significant observations arising from the audit of PSUs under the administrative control of MoC and MeitY.

### 1.2 Types of Audit conducted by CAG

CAG broadly carries out three types of audits, viz. Financial Audit, Compliance Audit and Performance Audit. Financial Audit is an expression of audit opinion on the set of financial statements, whereas Performance Audits seek to examine as to how programmes and projects were implemented with regard to economy, efficiency and effectiveness. Compliance audit refers to the examination of transactions relating to expenditure, receipts as well as assets and liabilities of audited entities to examine and report on their compliance to the provisions of the Constitution of India as well as other applicable laws, rules, regulations and various orders and instructions issued by competent authorities. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence. Audits are conducted on the basis of approved CAG's Auditing Standards. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance as well as on weaknesses that exist in systems of financial management and internal

control of the entities audited. The findings of audit are expected to enable the Executive to take corrective action and frame such policies and procedures which will lead to improved financial management of the organisations and contribute to better governance.

### 1.3 Authority for Audit

The authority for audit by the CAG and reporting to Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (the Act). The CAG conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13 and 17 of the CAG's (DPC) Act. Bodies established by or under law made by the Parliament and containing specific provisions for audit by the CAG are statutorily taken up for audit under Section 19(2) of the Act. Audit of other organisations (Corporations or Societies) is entrusted to the CAG in public interest under Section 20(1) of the Act. In addition, Central Autonomous Bodies (CABs), which are substantially financed by grants/ loans from the Consolidated Fund of India, are audited by the CAG under Section 14(1) of the Act.

### 1.4 Planning and conduct of Audit

As per the Annual Audit Planning process, units for compliance audit are selected on the basis of risk assessment besides topicality, materiality, social relevance etc. Risk assessment includes appraisal of internal control systems of the units, past instances of defalcation, misappropriation, embezzlement, etc. as well as findings of previous Audit Reports. Inspection Reports are issued to the heads of units after completion of audit. Based on the replies received, audit observations are settled with action for compliance advised, where necessary. Important audit findings are processed further as draft paragraphs for inclusion in the Audit Report after seeking responses from the Secretary of the Ministry/Department concerned. Audit Reports are laid before the Parliament/respective State Legislature under Article 151 of the Constitution of India.

### 1.5 Grant and expenditure of Ministries/ Departments under audit jurisdiction

The gross provision and expenditure of Ministries/Departments during FYs 2017-18 and 2018-2019 covering three civil grants are given in **Table 1.1**.

**Table 1.1: Grant and Expenditure**

(₹ in crore)

Ministry/ Department	Grant/ Appropriation (including supplementary grant)	2017-18			2018-19		
		Total Expenditure	(-) Savings/ (+) Excess		Total Expenditure	(-) Savings/ (+) Excess	
1. DoT	40,188.21	31,054.71	(-)9,133.50	38,885.12	28,733.17	(-)10,151.95	
2. DoP	28,131.57	26,782.12	(-)1,349.45	29,941.72	28,805.62	(-)1,136.10	
3. MeitY	4,185.25	4,039.54	(-)145.71	6,401.92	6,357.41	(-)44.51	

(Source: Appropriation Accounts of the Departments for the year 2017-18 and 2018-19)

Brief profile of audited entities is discussed in succeeding paragraphs.

## 1.6 Ministry of Communications

### 1.6.1 Department of Telecommunications (DoT)

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

#### 1.6.1.1 Revenue and Expenditure of DoT

The comparative position of revenue and expenditure of DoT during FY 2018-19 and in the preceding four years is given in **Table 1.2**.

**Table 1.2: Revenue and Expenditure of DoT**

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue	30,624.18	55,129.10	70,241.14	32,065.90	40,815.73
Expenditure	13,026.14	23,584.81	31,067.78	31,054.71	28,733.17

(Source: Appropriation and Finance Accounts of DoT)

Major components of expenditure are expenses on account of Communication Services (MH: 3275) and Pension and Other Retirement Benefits (MH: 2071). 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 in **Table 1.3**.

**Table 1.3: Details of License Fee and Spectrum Usage Charges received**

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
License Fee	12,358.29	15,771.27	15,614.44	13,261.84	11,134.02
Spectrum Revenue <sup>1</sup>	17,841.93	36,486.91	53,860.69	18,000.97	29,357.46

(Source: Finance Accounts of the Union Government)

#### 1.6.1.2 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 FYs 2014-15 to 2018-19, the number of telephone subscribers increased from 99.61 crore

<sup>1</sup> Includes Spectrum Usage Charges and Auction Fee (both Upfront as well as Deferred Payment).

to 118.34 crore. The status of overall growth for the FYs 2014-15 to 2018-19 in the Telecom Sector is given in **Table 1.4**.

**Table 1.4: Status of Growth in the Telecom Sector**

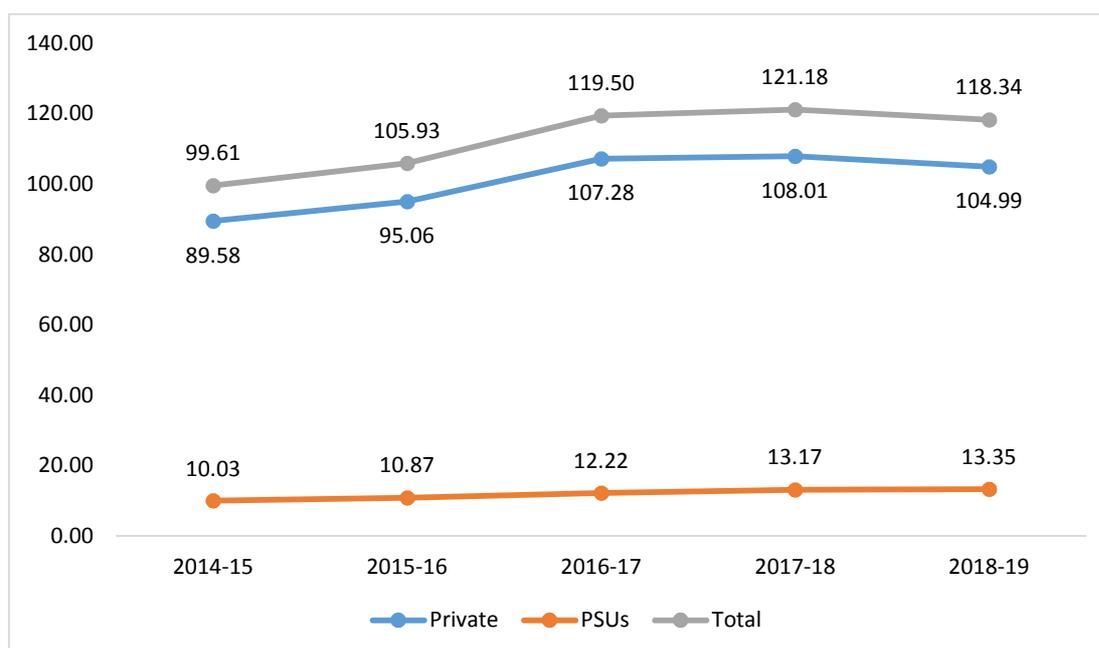
Year	Subscribers (in crore)					Tele density (in percentage)		
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban#
2014-15	99.61	41.61	58.00	2.66	96.95	79.36	48.04	149.04
2015-16	105.93	44.78	61.15	2.52	103.41	83.40	51.26	154.18
2016-17	119.50	50.18	69.32	2.44	117.06	93.01	56.98	171.52
2017-18	121.18	52.59	68.59	2.28	118.90	93.27	59.25	166.64
2018-19	118.34	51.43	66.91	2.17	116.17	90.10	57.50	159.66

(Source: Annual Report of Department of Telecommunications(DoT) for the year 2019-20)  
# Percentage tele density in urban areas is more than 100 percent 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 **Chart 1.1**.

**Chart 1.1: Growth in subscriber base - Private versus PSUs**

**Number of Subscribers (in crore)**



**Chart 1.1** reveals that although there is significant growth of around 33 per cent in subscriber base of Public Sector during the five-year period ending 31 March 2019 as against only 17 per cent in respect of Private Sector; in absolute terms, subscriber base of Private Telecom companies grew by 15.41 crore as against a mere 3.32 crore for Public Sector. Private Telecom companies still hold around 89 per cent of market share in the Telecom Sector.

### 1.6.1.3 Regulatory Framework of the Sector

#### a. 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 Act, TRAI is mandated to:

- a. ensure compliance of the terms and conditions of telecom licenses;
- b. lay down the standards of quality of service to be provided by the service providers and ensure the quality of service;
- c. specify tariff policy and recommend conditions for entry of new service providers as well as terms and conditions of license to a service provider;
- d. considerations and decisions on issues relating to monitoring of tariff policy, commercial and technical aspects of interconnection;
- e. principles of call routing and call handover;
- f. free choice and equal ease of access for the public to different service providers;
- g. resolution of conflicts that may arise due to market developments and diverse network structures for various telecom services;
- h. need for up-gradation of the existing network and systems; and
- i. 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. DoT, MoC or Ministry of Information and Broadcasting (I&B) in the case of Broadcasting and Cable Services.

#### b. 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 of appeals against any direction, decision or order of TRAI.

### 1.6.1.4 Important DoT Units

Department of Telecommunications includes Licensed Service Area (LSA) units (earlier known as Telecom Enforcement and Resource Monitoring (TERM) Cells), Controller of Communications Accounts (CCAs), Wireless Planning and Coordination Wings (WPC), Telecom Engineering Centre (TEC), National Telecommunications Institute for Policy Research, Innovation and Training (NTIPRIT), National Institute of

Communication Finance (NICF) and Centre for Development of Telematics (C-DoT) which is a Research and Development Unit.

#### **1.6.1.5 Universal Service Obligation Fund (USOF)**

To give impetus to rural telephony, Government of India (GoI) constituted 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 licenses. 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 ₹ 99,637.56 crore was collected by DoT as USO levy upto 31 March 2019 and credited to Consolidated Fund of India. Out of this amount, ₹ 6,911.50 crore was collected during 2018-19. An amount of ₹ 49,047.48 crore has been received by DoT through appropriation by Parliament and credited to USO Fund till 31 March 2019 (₹ 4,788.22 crore was received during 2018-19 out of which ₹ 4,403.25 crore has been transferred to accounting head 3275.00.1203.01 -Compensation to service providers for USOF and ₹ 384.97 crore was transferred to accounting head 3275.00.796.02 - Compensation to service providers for USOF under Tribal Area Sub-Plan). 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 ₹ 50,590.08 crore has still not been transferred to the USOF by GoI (short transfer of ₹ 2,123.28 crore during 2018-19 to DoT).

#### **1.6.1.6 Public Sector Undertakings (PSUs) under administrative control of the Department**

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

##### **a. Bharat Sanchar Nigam Limited**

Bharat Sanchar Nigam Limited (BSNL), fully owned by GoI, 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 2018-19 was ₹ 19,320.67 crore and it incurred a loss of ₹ 14,938.08 crore.

The overall performance of the company in the past three years is given in **Table 1.5**.

**Table 1.5: Performance of BSNL during last three years**

Year	Revenue	Expenditure	Loss	Subscriber base		
				Wireline	Wireless	Total
	(₹ in crore)			(in crore)		
2016-17	31,533.44	36,326.65	4,793.21	1.38	9.62	11.00
2017-18	25,070.64	33,808.80	8,001.82	1.23	11.18	12.41
2018-19	19,320.67	34,224.91	14,938.08	1.12	11.56	12.68

As is evident from **Table 1.5**, there is a steady increase in the subscriber base in the last three years, however, revenue of the Company has shown constant decline. Thus, the Company has not been able to translate the increase in subscriber base into Revenue.

#### **b. BSNL Tower Corporation Limited**

BSNL Tower Corporation Limited, a subsidiary of BSNL is an unlisted public company. It was incorporated on 04 January 2018 and is located in Delhi. It is classified as a GoI company. BSNL Tower Corporation Limited operates majorly in Transport, Storage and in Communications business. Its authorized share capital is ₹ 10,000 crore and the total paid-up capital is ₹ 17,000 crore. The company earned Nil revenue during the year 2018-19 and incurred a loss of ₹ 2.77 crore.

#### **c. 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 services 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 2018-19 was ₹ 2,606.71 crore and it incurred a loss of ₹ 3,397.58 crore.

The overall performance of the company in the past three years is given in **Table 1.6**.

**Table 1.6: Performance of MTNL during last three years**

Year	Revenue	Expenditure	Loss	Subscriber base		
				Wireline	Wireless	Total
	(₹ in crore)			(in crore)		
2016-17	3,552.46	6,497.91	2,941.08	0.35	0.36	0.71
2017-18	3,116.42	6,089.87	2,970.65	0.33	0.36	0.69
2018-19	2,606.71	5,996.91	3,397.58	0.32	0.35	0.67

There is a continuous decline in subscriber base as well as revenue of the Company. Even though there has also been a reduction in expenditure, it has not been able to stem the loss which has continued to rise during last three years.

**d. 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 ₹ 7.69 crore and it earned a profit of ₹ 0.64 crore during the year 2018-19.

**e. 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 Bareilly and Mankapur in Uttar Pradesh and Palakkad in Kerala. The Company's total revenue during the year 2018-19 was ₹ 2,004.84 crore and it earned a profit of ₹ 110.85 crore.

**f. Telecommunications Consultants India Limited (TCIL)**

Telecommunications Consultants India Limited (TCIL), fully owned by GoI, 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 2018-19 was ₹ 1,622.22 crore and it earned a profit of ₹ 31.41 crore.

**g. Tamil Nadu Telecommunications Limited (TTL)**

Tamil Nadu Telecommunications Limited (TTL) was incorporated in 1988 as a three-way joint venture of TCIL (49 *per cent*), Tamil Nadu 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 2018-19 was ₹ 0.05 crore and it incurred a loss of ₹ 15.93 crore.

**h. 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 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 2018-19 was ₹ 5.25 crore and it incurred a loss of ₹ 5.22 crore.

**i. 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 is 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 2011 and 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 ₹ 6.69 crore and incurred a loss of ₹ 0.058 crore during 2018-19.

**j. 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 ₹ 583.86 crore and it earned a profit of ₹ 3.36 crore during the year 2018-19.

**1.6.2 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.

Department has tied up with Ministry of External Affairs for leveraging the network of Post Office as Post Office Passport Seva Kendras in order to provide passport services to citizens on a larger scale and to ensure wide area coverage for the benefit of citizens. Department has also been mandated by the Government to set up Aadhaar Enrolment cum Updation Centres in Post Offices.

To provide greater impetus to the business activities and with focus on specific customer requirements, the Department has launched several premium services such as

Speed Post, Business Post, Retail Post, Logistics Post etc. and a whole gamut of e-Products such as e-post, e-payment, e-post office etc.

Department has undertaken IT Modernisation Project with the aim of transforming operational efficiency and improving delivery of operational and administrative units through upgraded technology and connectivity. The project will network all post offices in the remotest parts of the country thus enabling tracking and tracing of all kinds of accountable mails and parcels in the Country. The Project is being implemented in eight segments.

### **1.6.2.1 Financial Performance**

The earnings of the Department are in the form of ‘Revenue Receipts’ and ‘Recoveries<sup>2</sup>’. The revenue receipts, recoveries and revenue expenditure of DoP for the years 2014-15 to 2018-19 are shown in **Table 1.7**.

**Table-1.7: Revenue receipts and Revenue expenditure of DoP**

(₹ in crore)

Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
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 <sup>3</sup>	11,969.95
2017-18	12,832.76	770.25	26,018.84 <sup>4</sup>	12,415.83
2018-19	13,195.68	821.29	27,994.35	13,977.38

(Source: Appropriation Accounts of DoP)

Although there has been a steady increase in Revenue Receipts as well as Recoveries during the last three years, the Deficit continues to grow due to rise in Revenue Expenditure. The increase in Revenue Expenditure has been attributed by the Department to increase in working expenses such as Salary, Office Expenses, Professional Services and Other Charges etc.

### **1.6.2.2 Postal Life Insurance and Rural Postal Life Insurance**

Postal Life Insurance (PLI), the oldest life insurer in the Country, was introduced on 01 February 1884 as a welfare scheme for the benefit of postal employees and later extended to the employees of Telegraph Department in the year 1888. In 1894, PLI extended insurance cover to female employees of P&T Department when no other insurance company covered female life.

It now covers employees of Central and State Governments, Central and State Public Sector Undertakings, Universities, Government aided Educational Institutions, Nationalized Banks, Local bodies, autonomous bodies, joint ventures having a

<sup>2</sup> Represents recoveries on account of Services rendered to other Governments and Departments of Union Government

<sup>3</sup> Includes Grants-in-Aid of ₹ 24.95 lakh to India Posts Payment Bank

<sup>4</sup> Includes Grants-in-Aid of ₹ 374.55 lakh to India Posts Payment Bank

minimum of 10 per cent Government/PSU stake, credit cooperative societies etc. PLI also extends insurance cover to the officers and staff of the Defence services and Paramilitary forces.

Rural Postal Life Insurance (RPLI) was introduced on 24 March 1995 for rural people of India on recommendations of the Official Committee for reforms in the Insurance Sector headed by Shri R N Malhotra, former Governor, Reserve Bank of India. The Government accepted the recommendations of the Committee and allowed Postal Life Insurance to extend its coverage to the rural areas to transact life insurance business, mainly because of the vast network of Post Offices in the rural areas and low cost of operations. The prime objective of the scheme is to provide insurance cover to the rural public in general and to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population.

The trend of PLI and RPLI Business for the last five years is given in **Table 1.8**.

**Table 1.8: Business of PLI and RPLI**

Year	Postal Life Insurance		Rural Postal Life Insurance	
	Number of Policies in Force	Sum Assured (₹ in crore)	Number of Policies in Force	Sum Assured (₹ in crore)
2014-15	52,42,257	1,09,106.93	1,52,45,387	82,822.26
2015-16	49,30,838	1,09,982.10	1,49,15,652	81,733.73
2016-17	46,80,013	1,13,084.81	1,46,84,096	83,983.47
2017-18	43,59,855	1,16,499.40	1,36,61,694	80,811.39
2018-19	39,33,973	1,17,045.90	1,30,80,337	80,568.72

Number of new policies issued during last five years are shown in **Table 1.9**.

**Table 1.9: New Policies Issued**

Year	Postal Life Insurance		Rural Postal Life Insurance	
	Number of Policies Issued during the year	Sum Assured (₹ in crore)	Number of Policies Issued during the year	Sum Assured (₹ in crore)
2014-15	3,24,022	14,276.92	4,77,360	4,652.36
2015-16	1,98,606	9,644.98	2,58,225	2,668.91
2016-17	2,13,323	11,096.68	3,75,134	6,850.46
2017-18	2,43,654	13,305.73	5,23,899	7,298.29
2018-19	2,89,908	17,094.44	7,72,650	9,875.79

The above tables reveals that although number of policies being issued each year as well as sum assured for these policies under PLI have shown an increasing trend during last four years, the same has not translated into increase in total number of policies in force for the year despite total sum assured showing an increasing trend. Number of new policies issued each year as well as sum assured for these policies under RPLI have also shown a similar trend, resulting in a similar trend in the total policies in force during the year under RPLI.

### 1.6.2.3 Public Sector Undertakings under the Administrative Control of the Department of Posts

#### India Post Payments Bank Limited

India Post Payments Bank Limited (IPPB) was incorporated as a Public Limited Company on 17 August 2016, under the DoP, with 100 *per cent* equity from Government of India with the vision to promote financial inclusion and increase access of the people to the formal financial system. Two pilot branches of the Bank were launched on 30 January 2017 at Ranchi in Jharkhand and Raipur in Chhattisgarh and PAN India operations were launched on 01 September 2018. IPPB offers demand deposits such as savings and current accounts up to a balance of ₹ One Lakh, digitally enabled payments and remittance services between entities and individuals and also provides access to third-party financial services, such as insurance, mutual funds, pension, credit products and forex in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organizations, etc. The Company's total revenue was ₹ 48.28 crore and it incurred a loss of ₹ 165.10 crore during the period ending 31 March 2019.

### 1.7 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 Ministry is responsible for formulation, implementation and review of national policies in the field of Information Technology, Electronics and Internet (all matters other than licensing of Internet Service Providers). The vision of MeitY is e-Development of India as the engine for transition into a developed nation and an empowered society.

In order to operationalise the objectives of MeitY, schemes are formulated and implemented, either directly or through its Responsibility Centres (Organisations/ Institutions) under its jurisdiction. To make the technology robust and state-of-the-art, collaborations with the academia and the private/ public sector is also sought.

MeitY is the nodal Ministry for implementation of Digital India Programme of the Government of India. The Digital India programme is designed to transform India into a knowledge-based economy and a digitally empowered society by ensuring digital services, digital access, bridging the digital divide, digital inclusion and digital empowerment.

In order to carry out its functions, MeitY is provided with budgetary support in the form of Grants from the GoI. The Grants received vis-à-vis Expenditure incurred by MeitY during the period from 2014-15 to 2018-19 is given in **Table 1.10**.

**Table 1.10: Grants vis-à-vis expenditure**

(₹ in crore)

Year	Grant	Total Expenditure
2014-15	3,929	3,583
2015-16	2,759	2,594
2016-17	3,719	3,641
2017-18	4,185	4,040
2018-19	6,402	6,357

(Source: Appropriation Accounts of MeitY)

MeitY has two Attached Offices (viz., NIC, STQC), six Autonomous Societies (viz., CDAC, CMET, NIELIT, SAMEER, STPI and ERNET India), three Section 8 companies [viz., NICS, NIXI and Digital India Corporation (DIC)], three Statutory Organisations (viz., CCA, ICERT and UIDAI) and one Company registered under Companies Act, 1956 (viz., CSC e-Governance Services India Ltd.) under its charge to carry out the business allocated to the Ministry.

### 1.7.1 Profile of Attached Offices

#### a. 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.

#### b. 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's mandate to focus on IT sector.

### 1.7.2 Unique Identification Authority of India (UIDAI)

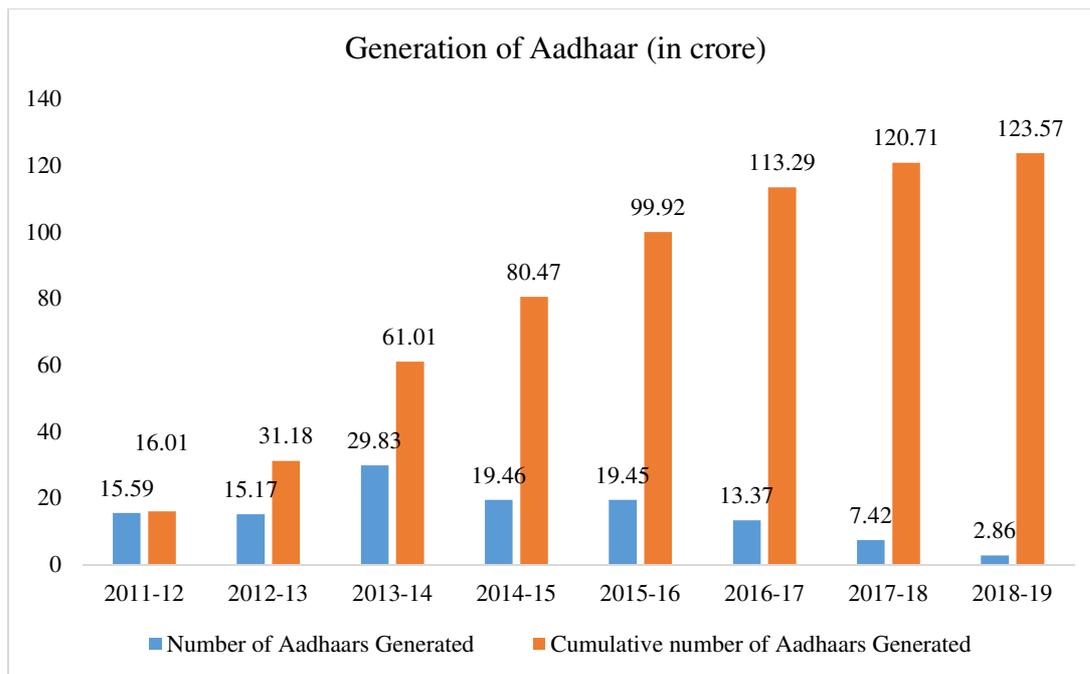
The Unique Identification Authority of India (UIDAI) is a statutory authority established under the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act 2016") on 12 July 2016 by the Government of India, under MeitY.

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 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.

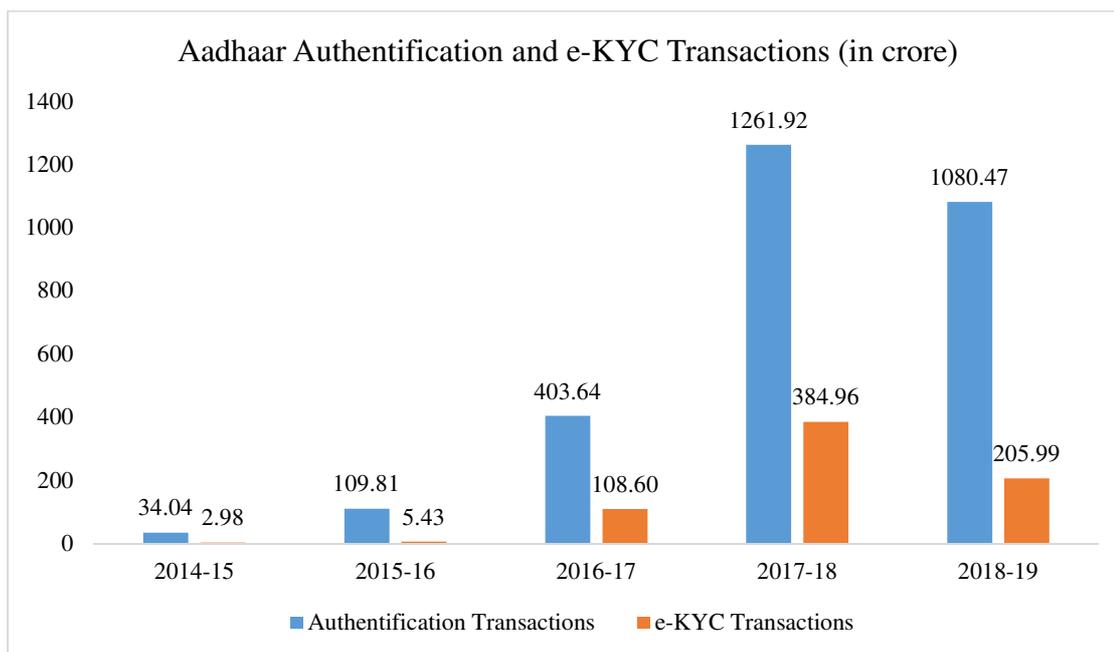
UIDAI was created with the objective to issue Unique Identification numbers (UID), named as "Aadhaar", to all residents of India that is (a) robust enough to eliminate duplicate and fake identities, and (b) can be verified and authenticated in an easy, cost-effective way.

As of 31 March 2019, UIDAI has generated 123.57 crore Aadhaar numbers for the residents in the country. The numbers of Aadhaar generated from 2011-12 to 2018-19 are given in **Chart 1.2**.

**Chart 1.2: Generation of Aadhaar**



UIDAI provides online authentication using demographic and biometric data. The UID (Aadhaar) number, which uniquely identifies a resident, gives individuals the means to clearly establish their identity to public and/ or private agencies across the country. UIDAI provides Authentication and e-KYC services through agencies called as Authentication User Agency (AUA), e-KYC User Agency (KUA) and Authentication Service Agency (ASA). Year-wise authentication and e-KYC transactions are depicted in the **Chart 1.3**.

**Chart 1.3: Aadhaar Authentication Transactions**

Budget and Expenditure of UIDAI is given in **Table 1.11**.

**Table 1.11: Budget and Expenditure of UIDAI**

(₹ in crore)

Year	Budget Estimates	Revised Estimates	Expenditure
2009-10	120.00	26.38	26.21
2010-11	1,900.00	273.80	268.41
2011-12	1,470.00	1,200.00	1,187.50
2012-13	1,758.00	1,350.00	1,338.72
2013-14	2,620.00	1,550.00	1,544.44
2014-15	2,039.64	1,617.73	1,615.34
2015-16	2,000.00	1,880.93	1,680.44
2016-17	1,140.00	1,135.27	1,132.84
2017-18	900.00	1,150.00	1,149.38
2018-19	1,375.00	1,344.99	1,181.86

### 1.7.3 Public Sector Undertakings (PSUs) under administrative control of the MeitY

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

#### a. 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

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143(6) of Companies Act, 2013. The company works with leading institutions for undertaking development work. It had total income of ₹ 217.89 crore (mainly on account of Grant-in-Aid) and a deficit of ₹ 23.50 crore for the year ended 31 March 2018.

#### **b. 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 during the year 2018-19 was ₹ 1,240.33 crore and it incurred a loss of ₹ 85.23 crore.

#### **c. CSC e-Governance Services India Limited**

Common Service Centers (CSC) scheme is one of the mission mode projects under the Digital India Programme. CSC e-Governance Services India Limited, a Special Purpose Vehicle, has been set up by the MeitY under the Companies Act, 2013 to oversee implementation of the CSC scheme. CSC SPV provides a centralized collaborative framework for delivery of services to citizens through CSCs, besides ensuring systemic viability and sustainability of the Scheme. The Company's total revenue during the year 2018-19 was ₹ 675.06 crore and it earned a profit of ₹ 63.19 crore.

### **1.8 Response of the Ministries/ Departments to audit paragraphs**

On the recommendation of the Public Accounts Committee (PAC), the Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs. Accordingly, the draft paragraphs are forwarded to Secretaries of the Ministries/Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks.

Concerned Ministries/ Departments did not send replies to one out of 18 paragraphs (upto December 2020) featured in Chapter-II to VI. The response of the concerned Ministries/ Departments received in respect of remaining 17 paragraphs have been considered and suitably incorporated in the Report.

### **1.9 Recoveries at the instance of Audit**

During the course of Audit, an instance of avoidable extra payment on electricity bills by NIC, Pune was noticed, action of which led to recovery at the instance of audit.

National Informatics Centre (NIC), Pune had taken an express feeder connection for the Data Centre from the Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL). In August 2012, MSEDCL issued tariff orders categorising Government Organizations under 'HT-II-Commercial' category. This order was revised in

November 2016 shifting the Government organizations High Tension (HT)-IX (B) – Public Service (Other) with lower electricity rates than those in the Commercial category. NIC, Pune, being a Government organization, was eligible for being charged lower electricity tariff rates under the category of ‘Public Service’, but continued to pay avoidable excess higher electricity charges of ₹ 2.64 crore due to its wrong categorisation under the ‘Commercial’ category during the period from November 2016 to December 2018.

On this being pointed out by Audit, the matter was taken up with MSEDCL and category of NIC Pune got changed from HT – II Commercial to HT-IX (B) –Public Services (Others) with effect from January 2019. MSEDCL also approved the adjustment of tariff difference of ₹ 2.64 crore in three equal instalments of ₹ 88.07 lakh each with effect from May 2019. ₹ 1.71 crore was adjusted by MSEDCL upto July 2019 in the electricity bills.

### **1.10 Follow up on Audit Reports-(Civil)**

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. Subsequently, a Monitoring Cell was created under the Department of Expenditure which is entrusted with the task of coordination and collection of the ATNs from all Ministries/Departments concerned duly vetted by Audit and sending them to the Public Accounts Committee within the stipulated period of four months from the date of presentation of the Audit Report to the Parliament.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Communications & IT) up to the year 2019 revealed that ATNs in respect of 43 paragraphs relating to two departments under MoC viz. DoP & DoT were pending at various stages. Year wise details are indicated in **Appendix I**.

### **1.11 Follow up on Audit Reports - (Commercial)**

Audit Reports of the 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:

- a. 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);
- b. 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
- c. 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 2019 revealed that ATNs in respect of 96 paras were pending as of March 2019 as detailed in the **Appendix II**.

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**SECTION A**  
**Ministries / Departments**

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## Chapter-II

### Department of Telecommunications

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

The project for providing mobile services in LWE affected areas with funding from USOF was a significant initiative in providing communication services in remote and difficult areas of the country. USOF/ DoT chose a technology for the project which was delivering sub-optimal performance with limited scope for augmentation impacting performance of the network. Further, though the project had been substantially commissioned, there were delays ranging from 3 to 18 months and the project duration was extended from September 2020 to June 2022. Audit also found that monitoring and evaluation of the project was 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 incurring an expenditure of ₹ 3,112.32 crore on the project.

##### 2.1.1 Introduction

Department of Telecommunications (DoT) formulated a project proposal in 2011 for providing mobile services in areas affected by Left Wing Extremism (LWE) at the initiative of Ministry of Home Affairs (MHA). The project was to be funded from the Universal Service Obligation Fund (USOF). Government approval for the project was accorded in June 2013.

DoT and the Administrator, USOF were responsible for selection of technology for the project, obtaining required Government approvals, liaising with MHA and BSNL, approval of cost estimates and tenders, release of subsidy and for overall monitoring of the project.

Bharat Sanchar Nigam Limited (BSNL) was the implementing agency for the project. It was required to identify locations for mobile connectivity after survey and in consultation with MHA, prepare cost estimates, undertake tendering and monitor field work. In addition, BSNL was responsible for maintenance of services through vendors, and as owner of the assets it was required to provide continued services as per TRAI quality standards, following the operation and maintenance (O&M) period of five years.

##### 2.1.2 Project details

Phase I of the project was assigned to BSNL on nomination basis. MHA initially identified 2,199 sites including 363 existing sites of BSNL, in ten States for establishing mobile connectivity. USOF entered into an agreement with BSNL effective from 30 September 2014, for installation/ commissioning of Base Station Controller (BSC)/ Base Transceiver Station (BTS) at the selected sites. The agreement provided for 100 per cent CAPEX subsidy for this work and OPEX subsidy for a five-year maintenance period from the date of commissioning. The total cost of the project was ₹ 3,567.58 crore. In respect of 363 existing BSNL sites, OPEX subsidy was to be paid

from USOF to BSNL from the date of agreement. In December 2016, USOF extended the agreement with BSNL upto June 2022, and included another 156 sites as additional work at a cost of ₹ 275.00 crore. Later, after getting complaints of low connectivity, the Telecom Commission in December 2017, recommended augmentation of VSAT backhaul at a cost of ₹ 151.80 crore and enhancement of bandwidth to 2 Mbps at all sites at the rate of ₹ 89.00 crore per year. This took the final cost of the project to ₹ 4,214.28 crore.

State-wise details of the sites identified by MHA and BSNL for providing mobile services in LWE areas are given in **Table 2.1.1**.

**Table 2.1.1: State-wise details of LWE sites**

States	New sites proposed	New sites (Add-on order)	BSNL sites already radiating	Total sites
1. Andhra Pradesh	53	8	1	62
2. Telangana	171	0	2	173
3. Bihar	184	66	0	250
4. Chhattisgarh	146	35	351	532
5. Jharkhand	782	34	0	816
6. Maharashtra	57	5	3	65
7. Madhya Pradesh	16	0	6	22
8. Odisha	253	8	0	261
9. Uttar Pradesh (East)	78	0	0	78
10. West Bengal	96	0	0	96
<b>Total</b>	<b>1,836</b>	<b>156</b>	<b>363</b>	<b>2,355</b>

In May 2018, the Central Government also approved Phase II of the Project at a project cost of ₹ 7,330 crore, for setting up around 4,072 sites based on 2G+4G technology.

### Funding of Phase I of the project

Funding of the project was through USOF. BSNL was required to claim Capital Expenditure (CAPEX) and Operational Expenditure (OPEX) subsidy from USOF as per the agreement between BSNL and USOF. Details of the project cost as per the agreement, to be released as CAPEX and OPEX subsidy are given in **Table 2.1.2**.

**Table 2.1.2: Details of project cost and subsidy released by USOF from October 2014 upto June 2020**

(₹ in crore)

Projects	Component wise	Project cost as per agreement	Released fund	Balance fund
1836+156 additional sites	CAPEX - Tendered (Vendor)	1,469.96	1,318.34	64.06 (As per final claims from BSNL)
	CAPEX - Non-Tendered (BSNL)	249.69	249.26	NIL
1836+156 +363 existing sites	OPEX Tendered (Vendor)	1,874.69 <sup>5</sup>	1,132.88	As per terms and conditions of the agreement
	OPEX Non-Tendered (BSNL)	619.94 <sup>6</sup>	411.84	As above
	<b>Total</b>	<b>4,214.28</b>	<b>3,112.32</b>	

(Source: Agreement and expenditure details furnished by Administrator USOF)

<sup>5</sup> OPEX Tendered for five years. OPEX is payable for radiating 1,831 sites + 156 Additional Sites + 356 existing sites = 2,343 Towers

<sup>6</sup> OPEX Non-Tendered includes cost for VSAT bandwidth and carriage charges

CAPEX subsidy of ₹ 1,567.60 crore which was 91 *per cent* of the total CAPEX, and OPEX subsidy of ₹ 1,544.72 crore which was 62 *per cent* of total OPEX subsidy, had been released by USOF as of June 2020. OPEX subsidy was however, payable up to the end of the O&M period i.e. till 2022.

### 2.1.3 Audit scope and objectives

Audit of Phase I of the project was conducted at USOF Headquarters, Controller of Communication Accounts (CCA) Offices, BSNL Corporate Office and concerned BSNL Circle Offices. The audit covered project activities and transactions from 2011-12 to 2017-18, which was updated in 2020. The audit aimed at assessing whether planning of the project was sound, project execution was as per plan and compliant with the agreement between USOF and BSNL. It also sought to assess the adequacy of financial arrangements for the project and effectiveness of monitoring mechanisms.

### 2.1.4 Audit Findings

Audit findings relating to project planning, execution, monitoring/ evaluation and financial aspects are discussed in subsequent paragraphs.

#### 2.1.4.1 Project Planning

The selection of technology to be used for the project for providing mobile services in LWE areas had been left to DoT /USOF by MHA. Audit findings from an examination of the selection of technology by DoT/ USOF are brought out in the succeeding paras.

##### (a) Imprudent selection of low power BTS using 2G technology

BSNL in its inputs for the project proposal to the Government in March 2012, suggested adoption of normal BTS for the project using 2G Technology with a 2+2+2<sup>7</sup> configuration expandable upto 8+8+8. The suggested solution supported GPRS and EDGE<sup>8</sup> taking into account possible use of EDGE technology by the security agencies. BSNL had specifically mentioned that it was not proposing low power BTS as it would not provide adequate coverage due to the dense vegetation in the LWE areas.

While DoT/ USOF was considering the Draft Feasibility Report (DFR) for the project prepared by BSNL, a Private Telecom Manufacturer (PTM) viz. M/s Vihaan Networks Limited (VNL) presented (September 2012) its 2G based system using solar power for providing voice and broadband services in LWE areas.

DoT thereafter, constituted (October 2012) a Committee<sup>9</sup> to examine the solution proposed by BSNL in its DFR and the alternative solution given by M/s VNL. From the report of the Committee it was noted that the proposal of BSNL was based on

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<sup>7</sup> 2+2+2 is a BTS configuration and consists of elements of antenna, duplexers, data distribution framework rack, transceiver units etc. A 2+2+2 configuration BTS is generally used in rural areas and a 6+6+6 or 8+8+8 configuration BTS in urban areas. A 2+2+2 configuration BTS requires about 1.3 kW of power supply while a higher capacity version (4+4+4 or 6+6+6) requires 2-3 kW.

<sup>8</sup> General Packet Radio Service (GPRS) and Enhanced Data for Global Evolution (EDGE) or Enhanced GPRS are 2G technologies that were introduced in the GSM networks to enable mobile data services.

<sup>9</sup> Committee was chaired by Advisor (T) of DoT with Sr. DDG (TEC) and Director (CM) BSNL as Members and DDG (CS) DoT as Member Secretary.

conventional/ normal BTS<sup>10</sup> which would meet the requirement of providing coverage in at least three km radius around the cell tower. On the other hand, the solution of M/s VNL was based on TEC GR No. GR/ WS/ BSS-002/ 01<sup>11</sup> of December 2009 using low power BTS with small capacity and coverage in a limited area in a 2+2+2 configuration. M/s VNL also ‘claimed’ that it met the coverage requirement of at least three kilometers radius around the tower through its Rural BTS. In addition, for meeting power requirements BSNL had proposed DG sets at all locations and solar panels in 617 locations as it was of the view that in forest areas BTS cannot depend solely on solar power. On the other hand, the solution offered by M/s VNL ‘claimed’ to consume less power and could thus work with solar power alone without needing grid power or DG sets.

The Committee recommended the solution based on “generic requirements” as contained in the above mentioned TEC GR No. GR/WS/BSS-002/01 of December 2009 for LWE areas, corresponding with the proposal by M/s VNL. The recommended solution predominantly envisaged use of “low power” Cat-I configuration and Cat-II configuration in select areas.

Audit observations on the selection of technology are as follows:

- a) While making the choice between BSNL’s solution and the solution offered by the private vendor viz M/s VNL which were both based on 2 G technology, certain key aspects were overlooked. BSNL’s solution involved use of standard equipment of GSM technology being installed in rural and urban areas, while M/s VNL solution primarily involved use of BTS in Cat-I configuration i.e. small size, low power and with limited coverage. The Committee relied on “claims” made by M/s VNL with regard to coverage requirements, power consumption, compliance with the TEC GR and field testing etc. There was no indication in the report of the Committee if the claims and inputs had been independently verified. No comparison was undertaken on the parameter of scalability of the two alternate solutions, and the suitability of “low power” BTS in LWE areas with dense foliage was not specifically addressed.
- b) Both the options considered by USOF in 2012 were based on 2G technology even though BSNL had already launched 3G services in 2009. Besides, by the time USOF signed the agreement with BSNL a further period of over 22 months had elapsed and the use of 3G had become common among Telecom Service Provides (TSPs). DoT/ USOF continued with the same technology for the 156 additional towers approved in December 2016 though complaints relating to coverage and connectivity were being received since June 2015 from some states. The selection of a solution based on 2G technology and failure to review the options at the time of finalising the agreement with BSNL and approval of

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<sup>10</sup> Based on GR No GR BSS-01/01 March 2004 “Base Station Subsystem (BSS) of IMPCS”.

<sup>11</sup> The GR covered Cat-I and Cat-II configurations with Cat-I being small capacity, small footprint for coverage in a small radius of one or a few villages using low power BTS and Cat-II being small capacity, large footprint for large coverage area with higher power requirement.

additional 156 sites was not judicious taking into account limitations of 2G technology especially with regard to provision of data services.

- c) The Committee generally recommended wireless backhaul i.e. through microwave or VSATs but did not give any specific recommendation on bandwidth. As a result, initially provision was made for bandwidth of only 512 kbps which was later increased to 1 Mbps. Subsequently, this bandwidth was found to be inadequate which led to call blocking and congestion. This was also evidence of shortcomings in the planning of the network.
- d) The Committee's recommendation on selection of technology was based on an examination of only two technology options. USOF selected the recommended solution ignoring its observation that other cost-effective technical solutions appropriate for LWE areas would also be available in the market. Further, prescribing a specific technology was also not in line with USOF's extant tendering procedures which envisaged a technology neutral approach so as not to restrict participation.

Audit is of the view that choice of a limited use 2G technology when more advanced and versatile technologies were available, was not efficacious as future upgradation would be at a cost. Further, as funds for the project was not a constraint *ab-initio* adoption of latest available technology would have improved outcomes and made the project future proof. Besides, adopting a solution suggested by a private company which later participated in the bid for the project as a vendor, instead of a neutral and competitive process for selection of technology, deprived USOF of the opportunity of making an optimum technological choice with respect to coverage, scope and scalability of the project while tapping possible cost benefits.

DoT in its reply (May 2019) stated that the project was planned as per requirements of MHA. It stated that the mandate for the project was to provide telecom/ voice services connectivity to the maximum possible population and 2G was able to provide coverage to large areas. It accepted that high speed data was not available under 2G but held that MHA had never projected a requirement for such data services at the planning stage and the focus was on voice services. It denied that the network does not provide data service and also claimed that the equipment used is modular and scalable and the capacity can be enhanced without replacing the existing equipment. Further, VSAT bandwidth had been increased from 512 kbps to 1 Mbps and subsequently to 2 Mbps to resolve call blocking. Thus, it had provided a cost effective, power efficient solution using Renewable Energy Technology (RET) based on the National Telecom Policy (NTP) 2012. It also stated that work for the additional 156 towers had been taken based on the demand of MHA prior to States making complaints about the technology.

The reply that MHA had not projected requirements for high speed data and the focus was on voice services, is not tenable as the choice of technology had been left by MHA to DoT and USOF. That the choice of 2G technology was ill advised is borne out by the complaints relating to coverage and connectivity from some states since June 2015 and as mentioned by DoT itself in its reply (May 2019), in a review meeting (July 2016)

three States had requested for an increase in bandwidth and additional towers. Subsequently in May 2017<sup>12</sup>, LWE states highlighted capacity issues with respect to towers installed in Phase I due to use of 2G technology and requested upgradation of the towers and reconsideration of use of 2G technology for the additional 156 towers. DoT/ USOF should have *ab-initio*, taken into account latest available technologies and suggested a solution which was future proof as funds were not a constraint for the project. It could have also reviewed the choice of technology during the currency of the project and adopted more capable technologies. This would also have been consistent with the broader vision of NTP for using broadband services for various Government programs.

In addition, an evaluation<sup>13</sup> report prepared by IIT, Bombay of Phase I of the project (January 2018) inter-alia, highlighted low utilisation of mobile sites due to poor quality of services and lack of data services, and that with the current design at LWE sites capacity addition was not possible and capacity could be enhanced only by replacing the entire existing equipment. This refutes DoT's position that data services were available and that the existing equipment was scalable and that its capacity could be enhanced without the need for replacement.

**(b) Failure of USOF to review and upgrade technology used in the project.**

As noted in the previous section, the technological solution for the project based on 2G was selected by DoT/ USOF in December 2012. However, the sites under the project were commissioned over a prolonged period i.e. from July 2015 to November 2018 and the project period including O&M was extended till 2022. As mentioned earlier, in June 2016, approval was also given for establishing an additional 156 towers. However, the same 2G based solution was retained. Thus, though both the project size and period was increased no technology reviews were undertaken despite Telecom technologies evolving rapidly and becoming more efficient with multifarious capabilities. In addition, over this period user requirement had also undergone changes. Audit is of the view that technology reviews for large and critical projects were important and should have been undertaken.

DoT in its reply (May 2019) stated that for high speed data Wi-Fi / LTE can be overlaid at any time utilising the infrastructure created through the project. It intimated that the State Government of Jharkhand had separately funded and got this equipment installed by BSNL at all 816 towers set up under the Project in the state. However, this upgradation was at the initiative of the State Government using its own funds and not part of any centralised USOF funded exercise for upgradation.

Records of USOF show that it had belatedly asked BSNL for a proposal for 4G upgradation for existing sites and that the same is under consideration. However, the exercise was yet to be approved and commenced on ground.

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<sup>12</sup> In a meeting of CMs of the 10 LWE affected states with MHA

<sup>13</sup> USOF/ DoT had engaged IIT Bombay in January 2017 to conduct an evaluation of technology deployed in Phase I prior to taking up Phase II of the project. The evaluation Report was submitted in January 2018.

**(c) Vendor guided selection of technology led to de-facto single vendor situation.**

As mentioned in para 2.1.4.1 (a) above, the DoT Committee recommended the solution based on a proposal made by a vendor viz. M/s VNL. BSNL accordingly floated tenders for the project<sup>14</sup> with specifications approved by the DoT Committee which was in turn based on the presentation given by M/s VNL. As a result, only two vendors viz. M/s VNL and M/s HFCL-which had a Transfer of Technology (ToT) agreement with M/s VNL- participated in the tender. As there were only two participants -of which one, viz. M/s HFCL had a ToT agreement with the other bidder i.e. M/s VNL- the tender was tantamount to a single vendor case despite the high value of the project.

It was observed that the DoT Committee on selection of technology, had mentioned in its report that TEC had indicated that “multi-vendor implementations” are available for the recommended technology. Besides, the Committee itself had observed that other “cost effective technical solutions” that “support the generic requirements” could also be available. However, DoT/ USOF neither ascertained the vendor base for the recommended solution prior to tendering, nor did they review the specifications on account of the very limited participation in the tender to expand participation.

Thus, both failure to follow a technology neutral approach and to assess vendor base for the selected technology led to limited participation which did not give any assurance that the price discovered was the most cost effective.

**2.1.4.2 Project Execution**

**(a) Delays in implementation status of LWE Project- Phase I**

The DoT Committee had recommended (December 2012) the solution based on 2G and renewable energy technologies as this was considered to be cheaper and quickly deployable. However, audit scrutiny disclosed delays at various stages which are discussed below.

The Government approved the proposal for the project in June 2013. As per the approval the installation and roll out of towers/ sites was targeted to be completed in 12 months after signing of agreement with BSNL which would take about three months. Accordingly, the Agreement between USOF and BSNL should have been signed by September 2013 but Audit noticed that the Agreement was signed only in September 2014 i.e. after a delay of a year.

Further, as per the agreement between USOF and BSNL, BSNL was to set up the infrastructure and commission the mobile network covering 1,836 mobile sites within 12 months from the effective date i.e. by 30 September 2015. Audit however, noticed that agreement was amended multiple times between December 2015 to January 2017 to extend the project period. By an amendment in December 2015, the roll out period was extended upto 21 months, which was further extended to 27 months in July 2016. In December 2016, the total agreement period including O&M was fixed at six years

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<sup>14</sup> The estimated project cost in the tender was over ₹ 2,000 crore.

i.e. upto September 2020 which was later extended June 2022. In January 2017, the date for commissioning the additional 156 sites was fixed as 21 July 2017. From the above it can be seen that initial delays in signing the agreement between USOF and BSNL and frequent amendments in the agreement allowing extension of time period for execution of the project added to the delays in completion of the LWE Phase I of the project.

The status of commissioning of the sites is given in **Table 2.1.3**.

**Table 2.1.3: Details of commissioning of mobile services in LWE**

Total sites	Sites commissioned	Scheduled commissioning date	Date of commissioning	Remarks
1,836	1,831	31 December 2016	Between 16 July 2015 and 28 March 2017	Five sites in Odisha not commissioned due to security reasons
156	156	21 July 2017	Between 24 July 2017 and 01 November 2018	Delay in handing over sites by State Government

**Table 2.1.3** shows that commissioning of both the originally planned 1,836 sites and the 156 additional sites, were delayed beyond the scheduled dates. In the case of the 1,836 sites this was despite more than doubling of the period for commissioning. The delays in setting up sites were attributed by the vendors to Naxal problems, delayed deployment of suitable police protection and delays in provision/ acquisition of sites for towers.

Audit however, observed that as per a survey done by BSNL the sites for mobile towers and equipment had been shown as clear. In any case, issues relating to availability of land for mobile sites should have been resolved before issue of work orders to the vendors and not several years after that. The reasons for delays indicate that planning for the project in terms of identification of sites and making arrangements for security was inadequate especially when the adverse nature of the law and order situation in these areas was well known.

The prolonged delay in commissioning of the towers led to non-achievement of the key objective of the project i.e. to quickly provide communication facilities to the security forces in sensitive areas. In addition, the continued use of older 2G technology by USOF also undermined the reliability and utility of the network which was critical to the security forces.

**(b) Agreement for award of work by BSNL prior to agreement between USOF and BSNL**

BSNL had been assigned the task of implementation of the project for setting up the infrastructure and commissioning of the mobile network covering 1,836 mobile sites in LWE areas on nomination basis. As mentioned in the preceding section, as per Government approval an agreement between USOF and BSNL for the project was to be signed by September 2013. BSNL instead first issued a tender for the work in August 2013 in which two vendors viz. M/s VNL and M/s HFCL participated. After opening

of the bids a case was sent to USOF for approval. However, it was decided by DoT to retender the project which was done in April 2014. M/s VNL emerged as L-1 and M/s HFCL as L-2. The work was awarded on 05 September 2014 on turnkey basis vide Advance Purchase Orders (APOs), to M/s VNL and M/s HFCL in ratio of 70:30 respectively. Audit noticed that the agreement between USOF and BSNL was executed only on 30 September 2014 i.e. subsequent to the finalisation of the tender by BSNL and issue of APO to the vendors. Thus, BSNL had awarded the work to its vendors prior to the work being formally awarded to it by USOF. The work of add-on 156 LWE sites was also given to the same vendors in the same ratio in 2016.

As BSNL had issued tenders prior to entering into an agreement with USOF, there were discrepancies between the terms and rates in the tender/ APOs issued to the vendors by BSNL and in the agreement between USOF and BSNL. It was noted that for several works the agreement between BSNL and vendors did not specify individual items of work and only provided a lump sum rate, the agreement between USOF and BSNL provided item wise details of the work including estimated costs. It was also noted that the agreement between BSNL and USOF required each item of work to be performed but the same obligation was not specified in the agreement between BSNL and the vendors. These discrepancies were not reviewed and corrected in the Purchase Orders (POs) issued to the vendors. This led to the vendors receiving payments for items of work which were not performed by them.

**(c) Inadequate marketing of Telecom products**

In accordance with the BSNL tender, the vendors of the project were responsible for setting up customer service centres for making BSNL mobile prepaid/ postpaid SIM cards, recharge coupons etc. available in the LWE areas. The vendor was required to provide mobile connections and retail services for telecom products at BTS sites in accordance with terms and conditions applicable to Direct Selling Agents (DSA). In terms of BSNL's Sales and Distribution policy, four retailers were to be appointed for each BTS.

Audit however, observed that the vendors did not appoint the required numbers of retailers. It was noted that out of 5,259 retailers required to be appointed as per policy, only 232 retailers were appointed by the vendors in five Circles with circles like Chhattisgarh, Madhya Pradesh, Andhra Pradesh and Telangana having appointed only one dealer each. The situation was somewhat better in Bihar and Jharkhand where 35 and 193 dealers respectively were appointed. The limited availability of BSNL outlets was also pointed out by IIT, Bombay in its evaluation report, in the context of low level of awareness about BSNL schemes. Further, due to absence of outlets, even willing customers found it difficult to obtain BSNL SIM cards. Further, BSNL did not monitor fulfilment of the contractual obligation relating to opening of retail outlets and instruct them to make the required number of retailers available.

DoT in their reply stated (August 2020) that as BSNL had directly appointed the vendors as rural distributors in LWE areas, they were being asked to justify the shortfall.

Audit observed that better marketing and more outlets of BSNL would have resulted in BSNL products being more accessible to customers for whom the project had been implemented. This would also have increased utilisation of the towers in the LWE areas.

### **2.1.4.3 Monitoring/ Evaluation of the project**

#### **(a) Evaluation of performance of LWE sites**

In terms of the Agreement for the project, the Administrator, USOF had the right to inspect the equipment installed at the sites and conduct service performance tests. It could carry out the performance tests either directly or through a designated monitoring agency, and evaluate “Quality of Service parameters” at any time during the tenure of the Agreement.

Audit noted that in November 2015, MHA conveyed complaints received from the Chhattisgarh and Madhya Pradesh Police to USOF that the towers installed by BSNL in the LWE areas were largely non-functional. As a result, security forces deployed in the area were deprived of mobile connectivity. USOF passed on these complaints to BSNL but did not carry out any performance tests directly or through Designated Monitoring Agency (DMA). USOF designated CCAs who belong to the Finance wing of DoT, as DMAs for the project only in December 2016 with the responsibility only for “Inspection of sites for verification of claims submitted by BSNL and for ensuring proper utilization of funds”. However, even these instructions for carrying out limited/ non-technical checks, were issued to DMAs only in February 2017 i.e. 20 months after the commissioning of first LWE site in July 2015. By that time 1,668 sites i.e. 90 *per cent* of the LWE sites planned had already been commissioned.

Ministry accepted (May 2019) the audit observation, but intimated that after installation of BTS sites, “coverage” testing would be done by the respective TERM cells of DoT. It also added that instructions had been issued to BSNL in April 2018, for undertaking measures for improving services in LWE areas and contended that the performance of LWE sites was gradually improving.

Audit is of the view that instead of routinely assigning inspection work to CCAs who were not equipped in technical matters, USOF should have constituted a Project Monitoring Unit (PMU) to comprehensively monitor and assess performance of the whole project as this was a major project of National importance. This would have provided the required oversight over BSNL which would have assisted timely project implementation and helped address technical issues impacting on coverage and quality of services.

#### **(b) Quality of Service- Non-Compliance of terms and conditions of Agreement**

As per the Project Agreement, BSNL was required to ensure provision of reliable services to the customers as per the Quality of Service (QoS) prescribed by the TRAI from time to time. In this regard, audit noted that USOF had received complaints from MHA and the State Governments regarding poor voice quality, one-way communication, low signal strength, limited range, dropping of calls, call congestion,

repeated un-serviceability of the towers and poor infrastructure, with respect to the sites commissioned by BSNL under the project for LWE areas. In addition, USOF's own analysis of performance of LWE towers for the quarter April-September 2017, disclosed low uptime of the towers. It was found that only in 19.56 per cent of the LWE sites i.e. 358 out of 1,831 sites, uptime was above the 98 per cent benchmark. In 1,398 sites uptime was in the range of 60-98 per cent and in 75 sites it was from 60 per cent and less. As uptime in the case of 80.44 per cent of towers at LWE sites was below the 98 per cent benchmark, BSNL was liable to be penalised through subsidy cuts.

DoT contended (May 2019) that the BTS downtime for network equipment under the project, was less than two per cent (per site limit) as per data obtained from Network Operating Centre (NOC) since October 2017 and also claimed increased utilisation of the sites in some states. However, DoT did not provide any authenticated supporting document for this. On the contrary, there was evidence of feedback from clients/customers about poor quality/ inadequate services by BSNL, and findings relating to low utilisation, and technology and capacity constraints of its own study done by IIT Bombay. The IIT study had also pointed out that utilisation was high only in states/ areas where other TSPs were not available. In addition, data provided in the reply itself showed that the downtime was more than two per cent in over 53 per cent sites thereby contradicting the claim of downtime being less than two per cent since October 2017. Further, the status of performance during January 2019 to November 2020 shows that downtime was less than two per cent only in 21 per cent sites.

Thus, as a result of the high downtime and BSNL's poor performance in maintaining medium of transmission and quality of mobile service, the very purpose of the project viz. "to provide mobile connectivity especially to the security forces in LWE area" was not met.

#### **2.1.4.4 Financial Issues**

##### **(a) Irregular payments of CAPEX and OPEX subsidy.**

##### **i) Irregular payments for electricity connections.**

In the agreement between USOF and BSNL, it was envisaged that an electricity connection will be provided in 1,028 out of the 1,836 new sites as an alternate power source. However, prior to including this work in the agreement, USOF did not advise BSNL to carry out any survey for ascertaining feasibility of provision of electricity connections in remote villages in the LWE areas.

As per the agreement, for providing electricity connections USOF was to provide CAPEX subsidy at the rate of ₹ 5 lakh per site for 1,028 sites, totalling ₹ 51.40 crore. In addition, provision was also made for OPEX subsidy of ₹ 132.77 crore towards payment of electricity charges for five years which was also to be paid to BSNL.

Audit examination of this item of work revealed the following:

- a. USOF released (October 2014) ₹ 51.40 crore as CAPEX subsidy in advance for 1,028 mobile tower sites whereas electricity connections were provided only at 152 sites. Electricity connections could not be provided at the balance 876 sites.

As such, BSNL was not eligible for subsidy payment amounting to ₹ 43.80 crore which needs to be recovered from the ongoing subsidy payments.

- b. The above mentioned 876 sites were working without an electricity connection (August 2020). However, for these sites, OPEX subsidy of ₹ 63.35crore<sup>15</sup> for payment of electricity charges for five years, was released to BSNL which had in turn passed these on to the vendors of the project.
- c. Further, though electricity connections were to be provided only for 1,028 sites, USOF had also paid and continues to pay subsidy for electricity in respect of 803 sites (1,831-1,028 sites planned) where electricity connections were not planned. As a result, an amount of ₹ 58.07crore<sup>16</sup> has been disbursed to BSNL as subsidy for which it was not eligible. As these payments were then passed on to the vendors by BSNL, this amounted to undue benefit to them for services not rendered.

Thus, USOF needs to recover CAPEX and OPEX subsidy payments amounting to ₹ 165.22 crore made to BSNL for sites where electricity connections were not provided from the on-going subsidy payments.

USOF while accepting the audit observation replied (September 2020) that excess CAPEX subsidy of ₹ 43.80 crore for electric connection would be recovered from the VSAT claims of BSNL. As regards, excess OPEX subsidy released, it was replied that the approved cost was based on the open tender called by BSNL and the deliverables was to be as per the tender. In this tender there was no separate subsidy for electric connection and there was only a single O&M cost which is being paid to vendor. Separate items such as electricity charges specified in the agreement between USOF and BSNL have not been specified in the approved tender for the vendors.

The reply relating to OPEX is not tenable as the agreement between USOF and BSNL provided for electricity connections in all the LWE sites, and the cost of electricity supply at all the sites was part of the OPEX subsidy amounting to ₹ 132.77 crore payable to BSNL. Further, as per clause 6.3 of the Agreement between USOF and BSNL, BSNL was required to ensure deliverables as stipulated by USOF/ DoT in the Agreement. Hence, award of O&M by BSNL to the vendor based on a lump sum cost without specifying electricity supply as a deliverable was a violation of the agreement between USOF and BSNL. Further, it is pointed out that the vendors were also meeting expenditure on the electricity charges from the same quantum of O&M subsidy in the case of 152 LWE sites where electricity connections were provided. Hence, as no electricity connections were actually provided in the remaining 1,679 sites, the payment of composite subsidy including the element of electricity charges is not in order and hence, needs to be recovered from the BSNL/ Vendors.

## **ii) Irregular payment of Security costs**

USOF provided for deployment of security guards at all LWE sites and covered the cost of deploying two security guards per site in the OPEX subsidy payable to BSNL for all

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<sup>15</sup> 876 sites x ₹ 7,23,148 per site for five years

<sup>16</sup> 803 sites x ₹ 7,23,148 per site for five years

the new sites in the Agreement with BSNL. This subsidy was passed on by BSNL to its vendors as part of payment for OPEX under the O&M contract.

In the course of audit, compliance with the provision for deploying two security guards was verified. It was found that in BSNL Circles covering six<sup>17</sup> States, security was not provided by the vendor at the sites. BSNL Circle Offices replied that there was no provision for security in their tender and sites were being monitored by the vendors through electronic devices. Further, at secured sites in CRPF camps/ Police Stations security guards from outside agencies were not permitted. The report of the IIT Bombay also corroborated non-provision of security guards by vendors.

It was noted that USOF had made provision for cost of security guards at the 1,836 new sites under OPEX subsidy based on Government approval. As per clause 6.3 of the Agreement between USOF and BSNL, BSNL was required to ensure deliverables as stipulated by USOF/ DoT in the Agreement. In the Agreement the total amount provided for providing security during the five-year period O&M period was ₹ 165.24 crore<sup>18</sup>. While the Agreement between USOF and BSNL specified provision of security guards as a deliverable and provided its estimated cost BSNL awarded the O&M contract to the vendors on lump sum basis without specifying OPEX components and the amount earmarked towards cost of security. It also did not prescribe any checks on deployment of security guards by the vendors or any penalty for non-compliance. As security guards were actually not provided by the vendors, subsidy paid to BSNL amounting to ₹ 165.24 crore on this account amounted to excess payment. As BSNL had passed on the lump sum OPEX subsidy consisting of cost of security guards to the vendors even though guards were not deployed by them, the vendors had also received undue payments on this account.

It was also noted that provision for security at various sites had been included without any planning or assessment of need for security either by USOF or by BSNL. USOF also released advance subsidy to BSNL for a period of five years including cost of security without verifying deployment of security guards at LWE sites. USOF had also not considered the feasibility of reimbursing the cost of security guards on actual basis.

USOF/ DoT stated (May 2019) that while BSNL had estimated ₹ 42,000 per month per site for three guards, it had approved estimate of ₹ 15,000 per month per site for security services. It later (September 2020) accepted that in its Agreement with BSNL the approved estimated cost included the cost of security guards but stated that BSNL had adopted a different methodology for ensuring security through vendors as the amount provided for the purpose was covering deployment of guards only for eight hours each day. The reply corroborates the observation that provision for security was made without proper assessment of requirement at the sites and that costs shown in the agreement were wrongly calculated. This reply is also not tenable as BSNL had approved the tendered OPEX which was 22 *per cent* higher than the estimates *inter-alia*, on the grounds that the cost estimates had provided the cost of two guards

<sup>17</sup> Chhattisgarh, Madhya Pradesh, Telangana, Andhra Pradesh, Bihar and Maharashtra

<sup>18</sup> Two security guards for eight hours per a day costing ₹ 15,000/- per month

assuming prevailing minimum wage for watch and ward the same had since increased. Thus, while evaluating the bids BSNL was clear that OPEX estimates covered payment of two security guards for a period of five years. It should have thus, ensured that services at this level was provided by the vendors failing which payments should have been suitably adjusted.

As a result, security guards were actually not provided as per the Agreement though USOF had unduly released subsidy to BSNL. BSNL in turn passed this on to the vendors without ensuring the envisaged deliverables under the agreement was provided as its contract with the vendors did not specifically provide for deployment of security at the LWE sites.

In the context of the above instances, it is noted that a flawed system of contracting appears to have been followed in the project. DoT/ USOF being project owners should have first entered into an agreement with the implementing agency i.e. BSNL which should after tendering, entered into back to back agreements with the selected vendors for execution and maintenance based on the main agreement. As a result, in this case the agreements between BSNL and the vendors show deviations from the agreement between USOF and BSNL with respect to scope of services resulting in irregular excess payments to vendors. The implication of the deviations can be that while USOF will recover excess payments from BSNL for services not given, BSNL may have to absorb these costs as vendors may not agree to any recoveries. It was also noted that though the work was awarded to the vendors on a turnkey basis, no bill of quantities appear to have been provided for so as to ensure that all items included in project estimates were actually provided/ supplied by the vendors.

**(b) Liquidated Damages recovered by BSNL from Contractors/ vendors not credited to USOF**

As per the agreement between USOF, BSNL was required to ensure recovery of Liquidated Damages (LD) from the vendors in accordance with the contract agreement and pass on the same to USOF. LD amounting to ₹ 29.09 crore in respect of 1,836 sites and ₹ 0.67 crore for additional 156 sites had been deducted by the CGMs, BSNL of the respective circles but was retained by BSNL. Audit noted that subsequently after a plea from the vendors, LD was reduced to ₹ 12.39 crore for 1,831 sites and to ₹ 19.11 lakhs for the additional 156 sites by the BSNL Corporate Office. However, retention of LD by BSNL was not compliant with provisions of the Agreement between USOF and BSNL. DoT had accepted the audit observation (May 2019) and stated that the issue had been taken up with BSNL.

BSNL (August 2020), was yet to pass on the recovered LD to USOF nor has the latter adjusted the same.

**(c) Non-adjustment of CENVAT Credit by BSNL**

As per the agreement, CENVAT credit realized by BSNL was required to be adjusted against payments to be made by USOF as project cost. Audit observed that during the period 2015-16 to 2019-20, BSNL realized CENVAT credit relating to LWE project to the tune of ₹ 212.26 crore. Out of this amount USOF had adjusted and availed credit of

only ₹ 118.45 crore upto March 2020. The balance credit amounting to ₹ 93.81 crore is yet to be passed on by BSNL to USOF or adjusted against payments made by USOF.

Ministry confirmed the above fact and replied (September 2020) that remaining CENVAT credit would also be recovered as per clause 6.8 of the LWE agreement.

#### 2.1.5 Conclusion

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 upto 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 upgradation of technology would have ensured value for money and better communication facilities in LWE areas.

#### 2.1.6 Audit Summation

The project for providing mobile services in LWE affected areas with funding from USOF of ₹ 3,112.32, was a significant initiative for providing communication services in remote and difficult areas of the country. Key findings from audit of the project were:

- The choice of technology for the project led to delivery of sub-optimal performance, and limited scope for capability augmentation.
- Project was substantially commissioned but with delays ranging from 3 to 18 months.
- Inadequate monitoring and evaluation of the project.
- High down time of mobile sites and low quality of mobile services.
- Irregular payment of CAPEX and OPEX subsidy.

Thus, there was limited assurance that the expected outcome of providing critical communications facilities in target areas would materialize.

#### 2.1.7 Recommendations

- The choice of technology for a project should be based on Expression of Interest route so that selection of optimal technological options available in the market could be made rationally.

- While choosing the technological option future expansion/ upgradation should be factored in vis-à-vis the cost of such upgradations.
- The system of monitoring the execution of the project should be robust to meet the milestones and the target dates so that the project is operational by the due date.
- Constant technical monitoring of the BTS operations should be done and feedback given to the O&M vendor on real time basis to minimize the downtime.
- The OPEX agreement/ Purchase order between BSNL and vendor should be in line with the OPEX clauses between USOF and the BSNL.

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

Telecommunication Engineering Centre (TEC) was designated by DoT as the authority for administering mandatory testing and certification of telecom equipment in India. DoT approved the establishment of five Next Generation Network Labs (NGN) and three other labs viz. SAR, Security and Green Passport Lab in TEC. 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) are yet to be established. In the case of the other three Labs, only the Specific Absorption Rate (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 basic objective of standardising testing and certifications processes and procedures in the context of NGN, 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.

### **2.2.1 Introduction**

The Indian Telegraph Rules, 1951<sup>19</sup>, provide that every telecom equipment must undergo prior mandatory testing and certification. The National Telecom Policy (NTP), 2012 also envisaged testing and certification of all telecom products with respect to defined parameters<sup>20</sup> with the objective of ensuring safe-to-connect and seamless functioning of existing and future networks. It also aimed at creation of a suitable testing infrastructure for carrying out conformance testing, certification, and for supporting development of new products and services.

Telecommunication Engineering Centre (TEC) as the technical wing of the Department of Telecommunications (DoT) is responsible for formulating common standards for

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<sup>19</sup> PART XI, Testing & Certification of Telegraph, (Rule 528 to 537)

<sup>20</sup> Conformance, performance, interoperability, Electromagnetic Field (EMF)/ Electromagnetic Interference (EMI), Electromagnetic Compatibility (EMC), health, safety and security

telecom network equipment, services and interoperability, evaluation of equipment and services (against standards and specifications) and according approvals for equipment, technology and services. After the notification of the Indian Telegraph (Amendment) Rules 2017 stipulating mandatory testing and certification of telecom equipment (MTCTE), Telecommunication Engineering Centre (TEC) has been designated as the authority for administering MTCTE in India.

The Standing Finance Committee (SFC) of DoT, approved (November 2009) a project for establishing five Next Generation Network (NGN) labs<sup>21</sup> in TEC, in view of the rapid movement of telecom technologies towards IP technology. Further, as TEC labs were envisaged to act as “Designated Authority” these NGN labs were to be used for setting up test processes and procedures for standardizing mandatory tests, while the tests themselves would be carried out by other labs designated as Conformance Assessment Bodies (CABs).

In addition to the NGN labs, TEC also took up establishment of three other important Labs viz. Security Lab; Green Passport Lab and the Specification Absorption Rate (SAR) Lab, aimed at addressing security, environmental and health issues associated with use of telecom equipment and services.

Details of the labs covering their scope, cost and their present status is given in the **Table 2.2.1.**

**Table 2.2.1: Status of Labs under Next Generation Network (NGN) Labs**

Labs and its scope	Sanctioned cost/ date	Present status (As on September 2020)
<b>Next Generation Network Labs</b>		
<b>i) Access Lab:</b> A dedicated Lab to test, certify and support Long Term Evolution (LTE) handsets/devices.	₹ 35.99 crore / August 2015	✗ Revised Project Estimate (PE) is under process.
<b>ii) Customer Premises Equipment and Terminal Lab (CPE&amp;TL):</b> A lab to provide test beds to test and certify Customer Premises Equipment (CPEs) viz. telephone equipment including multiline and cordless handsets, calling line identification presentation (CLIP), modems, telephone attachments, Point of Sale (POS) terminals, and CPEs with Bluetooth and Wi-Fi capabilities.	₹6.01 crore/ January 2015 Revised to ₹ 10.94 crore/ March 2017	✗ High-Power Committee is considering procurement part of the test equipment through GeM and set up part lab at TEC, New Delhi, to be followed by procurement of the remaining test equipment through open tender.
<b>iii) Transport Lab:</b> Lab for testing all protocols and interface of telecom equipment, involved in Metro Ethernet Forum, SIP Forum, Wi-Max Forum, TMN Forum, IEEE, ITU-T, ETSI, NGN related work for IPTV, VOIP, location based services and presence services, messaging services etc.	₹ 6.77 crore and ₹ 2.50 crore towards AMC/ November 2010	P Transport Lab is partially operational and expenditure of ₹ 2.08 crore (60 per cent of the purchase order value of ₹ 3.47 crore) was incurred in March 2012.
<b>iv) Control Layer Lab:</b> Lab for testing and certification for all NGN, Signaling gateways, Session Border Controller, Access and Trunking Media Gateways, Media server etc.	₹ 20.65 crore/ May 2017	✗ The installation of the equipment was completed on 31 Oct 2019. However, Acceptance Testing is in progress and lab was to be commissioned shortly (30 Nov 2020).
<b>v) Transmission lab:</b> Lab to provide testing and certification in areas of SDH / DWDM/ TDM		✗ TEC decided not to establish Transmission/

<sup>21</sup> (i) Access Lab, (ii) Customer Premises Equipment including Terminal Lab (CPE & TL), (iii) Transport Lab, (iv) Control layer Lab and (v) Transmission/ Application lab.

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transport, Carrier Ethernet based on optical Ethernet technologies, IPv4 / IPv6 / MPLS / VPLS / etc.			Application labs due to rapid changes in technologies and eco-system.
<b>Other Labs</b>			
<b>vi) Security Lab:</b> Lab for testing of telecom elements as per relevant contemporary Indian or International Security Standards.	₹ 9.81 crore/ October 2014	*	TEC has not been able to finalize the tender due to change in approach to tender.
<b>vii) Green Passport Lab:</b> Lab for certifying telecom products, equipment, and services on the basis of Energy Consumption Rating.	₹ 1.48 crore/ June 2016	*	TEC has not been able to finalize the tender due to non-responsive of bids.
<b>viii) Specification Absorption Rate (SAR) Lab:</b> This lab is envisaged to provide testing for mobile handsets in order to check electromagnetic radiation.	₹ 3.25 crore/ June 2009	*	Dispute with vendor has not been resolved through arbitration and TEC continues to accept the manufacturers' declaration of SAR value.
<b>Legend:</b> * = Not implemented; P: Partially implemented			

In relation to the Labs, the Standing Committee on Information Technology, in its 35<sup>th</sup> Report (2016-17) took a serious view of the under-utilisation of earmarked funds by the Department, and noted that delays in the implementation of schemes under TEC “were beyond comprehension” as these related to safety and security of the nation. Subsequently the Standing Committee in its 40<sup>th</sup> Report (2017-18), desired that the Department take urgent remedial measures for effective implementation of all the schemes thereby ensuring optimal utilisation of funds under TEC.

### 2.2.2 Audit Findings

Audit took up an examination of the implementation of the project for setting up Next Generation Network (NGN) Labs, and the three other labs in view of the importance of creation of a testing infrastructure in TEC, and the observations of the Standing Committee on Information Technology on the progress of TEC schemes. Audit findings on the setting up of labs by TEC, are given in the succeeding paragraphs.

#### 2.2.2.1 Next Generation Network (NGN) labs at TEC Delhi

Next-generation Network (NGN) refers to important developments in telecommunication core and access networks to be deployed over the next decade. ITU defines NGN as a packet-based network in which service-related functions are independent from underlying transport-related technologies. NGN enables unfettered access for users to networks and to competing service providers and services of their choice.

Telecom Operators round-the-world are implementing NGN and are making huge investments in roll-out of these IP-based networks. Different operators in India have already taken initiatives to deploy NGN in the country. Under these circumstances, it became essential to establish test beds to test and certify conformance and end-to-end inter-operability to ensure smooth roll-out of NGN in the country.

The NGN lab project approved by SFC in 2009, was to be taken up under the 11<sup>th</sup> Five Year Plan (2007-2012) with an allocation of ₹ 50.00 crore. The SFC approval had envisaged that establishment of Transport Lab would be taken up first. All labs were however, projected to be set up within the 11<sup>th</sup> Plan period i.e. by March 2012. Out of the five NGN labs only the Transport lab had been set up (December 2012) but was not fully functional. Subsequently, a Review Committee was constituted (September 2016)

to *inter-alia* undertake an assessment of the relevance of the project due to rapid changes in technologies and “ecosystems” since 2009. The Committee recommended that one of the labs viz. the Transmission lab may not be required as most elements were being covered under the other labs. It was decided to continue with the Transport Lab as it was already set up and the CPE Lab as it was sanctioned and in the executions stage. The Access lab and Control Labs were recommended to be retained with some changes in scope. In the meanwhile, the estimated cost of the NGN project increased from ₹ 49.10 crore (November 2009) to ₹ 67.07 crore (April 2017), despite the dropping of one of the labs and change in scope of the others. Status in respect of the four remaining NGN labs is given in the succeeding paragraphs.

**i) Establishment and functioning of NGN Transport lab in TEC**

The NGN Transport Lab was to be set up for testing all protocols and interface of telecom equipment relating to Internet Protocol Television (IPTV), Voice over internet protocol (VOIP), location-based services and presence services, messaging services etc. SFC envisaged this lab to be the core around which other NGN Labs were to be built.

Audit scrutiny of the establishment of NGN Transport lab revealed delays in award of work, delays in commissioning, pending/ incomplete validation checks, non-operation of the Lab and unresolved dispute with supplier as detailed below.

**a. Delay in award of work.**

TEC took several advance actions pending sanction of the project estimate and tender for setting up of the lab was floated in May 2010. However, as only one bidder<sup>22</sup> participated (July 2010) the Tender Evaluation Committee recommended (October 2010) to cancel the tender and go for retendering. A new tender could however, be floated only in March 2011 as the first tender did not have the approval of the Competent Authority and post facto approvals had to be obtained.

In the subsequent tender two bidders<sup>23</sup> participated. However, only the bid submitted by M/s Sterlite Technology Limited (STL) was found to be substantially techno-commercially responsive for opening of the financial bid. The financial bid was opened on 08 August 2011 i.e. after more than three months of opening of technical bid. The financial bid of M/s STL was accepted in September 2011 for ₹ 3.47 crore towards supply, installation and commissioning of NGN Transport lab and ₹ 93.81 lakhs towards AMC for five years after warranty period of two years. PO for supply, installation and commissioning of NGN Transport Lab for ₹ 3.47 crore was issued to M/s STL in November 2011.

Thus, due to delays in retendering and in opening of financial bid after retendering, over 17 months were taken in the award of work for the lab from the floating of the first tender.

<sup>22</sup> M/s Spirent Communication Pvt. Ltd

<sup>23</sup> M/s Sterlite Technologies Limited (STL) and M/s Telecommunications Consultants India Limited (TCIL)

***b. Delay in commissioning of the Lab.***

The work of establishment of the Lab was on turnkey basis with supply of components to be made within eight weeks of PO date. Overall/ full commissioning comprising delivery of equipment and software, commissioning and validation was to be done within 12 weeks from PO date i.e. by end February 2012. Audit noted that supply and installation of equipment, hardware and software, and conformity checks of supplied equipment of the lab was done during January to March 2012. The validation of equipment and software however, remained incomplete. Accordingly, only 60 per cent payment<sup>24</sup> had been made to M/s STL. Despite incomplete validation/ commissioning, the Lab was inaugurated and made partly operational in December 2012 with available features.

***c. Pending/ incomplete validation checks.***

M/s STL carried out validation of equipment in phases but some validation checks remained pending. Though the M/s STL claimed (February 2015) that 97 per cent checks had been completed by November 2014, a committee constituted (August 2015) to analyse the validation status of the Transport lab concluded (September 2015) that pending validation points was 39 per cent.

***d. Non-operation of the Lab***

The Committee that was examining validation issues also reported that the lab was not operational since July 2015 due to faulty controller/ interface cards. It also held that due to pending validation issues it would not be possible to test if any “Device Under Test” (DUT) is offered for testing. Due to the stalemate on account of incomplete validation checks neither the warranty of the project could be started nor could 40 per cent of the balance payment be released to the supplier. As a result, neither has the issue with regard to faulty cards been satisfactorily addressed nor is proper support forthcoming from the supplier. TEC has however, pointed out that 20 devices had been tested during the period from September 2014 to September 2020 on the features validated. The reply of TEC is not tenable as majority<sup>25</sup> of the tests were done during 2014 and thereafter annually only one or two tests were done. Further, TEC was able to conduct few tests after July 2015 by taking support of OEM for replacing faulty cards as a stop gap arrangement only. The fact however remains that the lab was not operational since July 2015.

***e. Unresolved dispute with supplier.***

On account of the issue of pending validation checks, TEC did not release balance payments as per PO to M/s STL which requested (July 2015) appointment of an Arbitrator for resolving the matter. A sole arbitrator was appointed after more than a

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<sup>24</sup> 60 per cent of PO value works out to be ₹ 2,08,34,605 that was reduced by LD @ one per cent amounting to ₹ 69,448/- and net payment of ₹ 2,07,65,157 was made.

<sup>25</sup> In 2014, ten devices were tested and all on requests received from RTEC, Bangalore in 2012.

year in October 2016. The interim order (June 2017) for partial payment<sup>26</sup> of pending amount was not accepted by either parties and hence reviews were filed. Additional awards given by a new arbitrator (September 2018) was not accepted by TEC and an appeal has been filed in Courts on which a final judgement is still due.

*As TEC has not been able to resolve the prolonged dispute with the supplier the Lab is yet to be commissioned more than eight years after the contracted date. It is thus only partially functional due to pending validation checks and lack of vendor and OEM support. As in the telecom field, technology evolves rapidly, delays in making the lab fully functional could make the equipment obsolete and render the whole expenditure on the lab infructuous.*

**ii) Control lab in TEC**

A 'Control Lab' shall facilitate testing of Control layer functions of NGN architecture, Soft Switch as well as IP Multimedia Subsystem (IMS) based architecture, thus benefiting the Electronics, Telecom and IT industry in implementing NGN based IP technology in Telecom network. Further, Control Lab shall also take care of Performance, Conformance and interoperability testing for device under test (DUT)<sup>27</sup>.

Control lab was one of the five NGN labs approved for establishment in 2009. The Lab was envisaged to test all control layer functions, service layer functions and other specified functions. At the stage of review in 2016, the scope was revised in view of advancement of technologies to add testing for SIP especially for wi-fi calling. Audit findings relating to establishment of this lab are given below.

**a. Prolonged delays in finalising PE.**

Though a decision was taken to establish the lab in 2009 and technical proposals were invited in January 2014, TEC could submit a Project Estimate (PE) for the Control Lab to Finance wing of DoT only a year later in January 2015 only. Thereafter, after prolonged deliberations and correspondence between TEC and Finance wing of DoT the PE was finally approved in May 2017 for an estimated cost of ₹ 20.65 Crore.

**b. Tendering and award of work.**

Subsequent to approval of the PE, a tender was floated by TEC in January 2018. A Pre-Bid Conference was conducted by the Committee constituted for the purpose on 29 January 2018. As the corrigendum/ amendments in tender documents recommended by the Committee were approved by the Secretary (Telecom) only on 19 April 2018, the last date of bid-submission was extended by a month. The Techno commercial bids of three bidders<sup>28</sup> were opened on 11 May 2018 and evaluation was finalized on 02 January 2019. M/s Savitri Telecom Services and M/s Intec Infonet Pvt. Ltd were considered for financial evaluation. The financial bids of the two bidders were opened

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<sup>26</sup> (a) partial payment to the extent of 40 per cent of 30 per cent (i.e. net 12 per cent instead of 30 per cent) and (b) 10 per cent may be released to M/s STL within four weeks of the receipt of the order.

<sup>27</sup> Combination of software and/ or hardware items which implement the functionality of standards and interact with other DUTs via one or more reference points.

<sup>28</sup> (1) M/s SPI Engineers Pvt. Ltd. (2) M/s Savitri Telecom Services and (3) M/s Intec Infonet Pvt. Ltd.

on 18 February 2019 and evaluated by the Tender Evaluation Committee. The work was awarded to M/s. Savitri Telecom Services at L1 price on 29 April 2019, and an Advance PO was issued on 26 June 2019 for a total cost of ₹ 16.99 crore (including cost + AMC + Professional Services). Thus, from the time of floating the tender it took over 16 months to formally award the work.

**c. *Delayed commissioning of the lab***

The vendor supplied and installed the equipment for the Lab by 31 October 2019. Acceptance Testing (AT) of the same which was to be completed by 16 December 2019, was in progress (September 2020). TEC stated that the lab was likely to be commissioned by 30 November 2020.

*Thus, due to delays at various stages and especially at the planning stage, establishment of the Lab was held up and testing of the control layers could not be carried out by TEC during this time. Further, mandatory testing under MTCTE for the equipment/ devices proposed to be tested through Control Lab has also not started.*

**iii) *Customer Premises Equipment & Terminal Lab (CPE&TL)***

In telecommunications, a Customer-Premises Equipment (CPE) is any terminal and associated equipment located at a subscriber's premises and connected with a carrier's telecommunication circuit or the communications service provider.

CPE generally refers to devices such as telephones, routers, network switches, residential gateways (RG), fixed mobile convergence products, home networking adapters and Internet access gateways that enable consumers to access service providers' communication services and distribute them in a residence or enterprise with a local area network (LAN).

In TEC, a CPE & TL division was established with the objective of setting up a dedicated CPE & TL lab. This lab would have testing infrastructure for conformance and interoperability testing of NGN CPEs and Terminals and other interfaces. Audit findings relating to establishment of this lab are given below.

**a. *Delays in approving PE and tendering.***

The Project Estimate (PE) including AMC for the lab was sanctioned in January 2015 for ₹ 6.01 crore i.e. after more than four years of the SFC approval. A draft tender document for procurement and installation of lab equipment was submitted to DoT in September 2015. After addressing queries and questions, the draft tender was uploaded on the website in April 2016.

**b. *Failure of tendering***

Following the uploading of the tender a Pre-Bid Conference (PBC) with four prospective bidders was held on 25 April 2016. It emerged from the PBC that the vendors did not have complete solution for setting up of CPE & TL and raised concerns on account of the work involving integration of multi-vendor equipment. However, TEC proposed to go ahead with the current specification of having a complete

integrated lab (CPE & TL) in one go instead of grouping of equipment of similar types as a package and then taking up integration of these packages in second phase. It however, stated that if the results from the present attempt were not encouraging it could consider the other option. This proposal was approved in July 2016 and the amended tender was uploaded on 19 August 2016. However, no bidder participated in the tender which was opened on 16 September 2016 despite extensions, and this tender was cancelled.

To address the lack of response a vendors' forum (October 2016) was organised to obtain feedback and inputs from vendors/ OEMs. The issue was also discussed with other divisions of TEC. Based on the inputs, changes were suggested which included merging of requirement of Test Instruments and Equipment for CPE lab at New Delhi and three RTECs<sup>29</sup>; removing requirement of supply of Unified Management Program (UMP) and complete integration and grouping requirements appropriately in groups having similar instruments/ equipment, which are generally manufactured/traded by same parties. The tender document was revised accordingly and floated on 31 March 2017 after approval of the competent authority. A PBC on this tender was held on 10 April 2017 and the recommendations for amendments in the tender document was submitted by the PBC Committee to DoT on 27 April 2017 for approval. The tender opened on 12 July 2017 was also cancelled in October 2017 on the recommendation of the Tender Evaluation Committee as all the bidders were non-compliant with tender conditions. It was also recommended that a comprehensive review be carried out to analyse reasons for failure of the tender.

***c. Subsequent developments.***

TEC intimated (September 2020) that as Telecom technology had advanced, the requirement for CPEs testing and test instruments had changed partially. Besides, the estimated cost of a few critical test instruments had also reportedly escalated. A High-Power Committee had since recommended procurement of a few test equipment through GeMs for partly setting up a lab, while the balance equipment would be procured through open tender. No time frame was however, given for completing this task.

TEC stated (September 2020) that there was no delay on its part in identifying and carrying out modifications in its requirements, and contended that establishment of a test lab required a high level of technical competence combined with a high degree of exposure in the field.

The reply is not tenable as though the project was approved way back in 2009, TEC despite being the technical wing of DoT has not yet been able to identify the specific requirements for lab and finalise tender documents.

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<sup>29</sup> Regional Telecommunication Engineering Centers

*As a result, the objective of facilitating testing of NGN CPEs and Terminals has not been achieved and the work of testing and certification of the CPEs and Terminals were being done in designated labs only.*

**iv) Access Lab**

An Access Lab would provide Testing Infrastructure for Protocol & Radio conformance testing of user equipment like mobile handset, dongles, tablets, PDAs, Wireless Access Nodes like BSC, BTS, WiFi devices, SIM / USIM / eSIM testing, Location Services (LBS) testing, Audio Quality including VoLTE voice testing.

After approval of the project for establishing NGN labs in 2009, a separate division i.e. Access Lab Division<sup>30</sup> was created (2013) in TEC for a focused approach on setting up of a dedicated Access lab with capabilities to test, certify and support Long Term Evolution (LTE)<sup>31</sup> handsets / devices<sup>32</sup> etc. Audit findings relating to establishment of this lab are as below.

**a. Delays in finalising technical scope and project estimate.**

Though the SFC had approved the project in 2009, substantive steps for establishing the Lab were taken only after creation of the Access Lab Division in 2013. Technical proposals and budgetary quotes from interested vendors were invited by TEC in March 2014. Based on technical and budgetary quotes submitted by four vendors<sup>33</sup>, requirements for the lab (November 2014) were drawn up by a committee of TEC<sup>34</sup> and a Project Estimate (PE) for ₹ 35.99<sup>35</sup> crore was prepared and submitted by TEC to DoT in May 2015. DoT approved the PE in August 2015. However, progress with respect to finalising the technical scope of the work and the NIT was not noticed till 16 months later.

**b. Frequent revisions in scope and approach**

As mentioned earlier, TEC had constituted a Committee (September 2016) to review the whole project on NGN labs which recommended (November 2016) some changes in the scope of the Access lab. As a result, another committee was constituted in June 2017 which after prolonged deliberations, interactions with OEMs and lab visits, finalized the technical specification and draft tender document and submitted the same for approval (February 2019). At this stage the approach itself was directed to be changed, and on the grounds that the scope of the project was big, phased implementation was ordered to be undertaken.

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<sup>30</sup> First LTE Lab was created which was renamed later as Access lab division.

<sup>31</sup> Long-Term Evolution (LTE) is a standard for wireless broadband communication for mobile devices and data terminals which increases capacity and speed through network improvements

<sup>32</sup> Covering testing of mobile handset, dongles, tablets; wireless access nodes; IOT/ M2M devices like smart meters, wi-fi devices, SIM/ USIM/ eSIM testing, Location Services (LBS) testing, Audio Quality including VoLTE voice testing.

<sup>33</sup> M/s Agilent Technology, M/S Anite Telecom, M/S Rhode and Schwrtza and M/S Anritsu

<sup>34</sup> This committee comprised DDG (LTE), DDG TWA, Director (LTE) and Director TWA

<sup>35</sup> ₹ 35.99 crore included provision of capital expenditure of ₹ 24.21 crore and five-year AMC cost estimated as ₹ 11.78 crore.

**c. Delayed approval of revised PE and tender documents**

The case was resubmitted (March 2019) with phased implementation. However, the competent authority at this stage directed that fresh budgetary quotes be obtained. These were obtained and submitted by September 2019. However, as these were higher than previous estimates, an exercise to revise the PEs was taken up. A revised PE was submitted (June 2020) covering additions in scope on account of new technological trends. In July 2020, an Access Lab Committee was formed to deliberate on the revision in PE due to change in Project scope and for finalizing the revised PE. The revised PE was still (September 2020) to be approved.

*Hence, due to frequent changes in the scope of the work and the implementation approach, TEC was unable (September 2020) to freeze the PE and tender documents for the Lab even though the lab was approved in 2009 and PE was sanctioned in August 2015. As a result, the objective of testing certifying and supporting LTE handsets/ devices could not be achieved.*

TEC stated (September 2020) that as the lab had not been established, testing and certification of LTE handsets/ devices is not being undertaken by it and Certificates issued by notified ILAC (International Laboratory Accreditation Corporation) are being accepted.

**2.2.2.2 Specific Absorption Rate (SAR) Lab**

Specific Absorption Rate (SAR) is a measure to know the levels of exposure to electromagnetic fields from mobile handsets. It is the rate at which human body absorbs electromagnetic power radiated from Mobile Terminals and Wireless Devices.

DoT decided (September 2008) to adopt the International Commission on Non-Ionization Radiation Protection (ICNIRP) guidelines for limiting Electromagnetic Field (EMF) exposure as protection against known adverse health effects. It was decided that Mobile handsets being manufactured in the country as well as being imported, should comply with laid down SAR<sup>36</sup> values. Manufacturers of mobile handset were required to self-certify compliance with these standards. Later in June 2009, in-principle approval for setting up of SAR lab at TEC at an estimated cost of ₹ 3.25 crore was accorded by the Competent Authority to reduce reliance on self-certification and introduce an audit of self-certification of mobile handsets by a government agency. Audit findings relating to establishment of this lab are given below.

**a. Financial approval, tendering and award of work**

Administrative approval and expenditure sanction were accorded in August 2010 for “Supply, Installation, Testing and Commissioning of SAR lab of mobile handsets at TEC, New Delhi” for ₹ 3.30 crore, and for AMC for three years for ₹ 1.18 crore. A

<sup>36</sup> SAR is defined as a measure of the rate at which Radio Frequency (RF) energy is absorbed by the body tissues when exposed to Radio-frequency electromagnetic field. Govt limited SAR value to 2W/kg localized for head and trunk in frequency range of 10MHz to 10GHz.

tender was floated in March 2011 and two bids were received. However, due to shortcomings in the documents submitted by the bidders the tender was cancelled (June 2011) and the work was retendered (July 2011). Four bids<sup>37</sup> were received which were opened on 02 September 2011. Only one bidder namely M/s BNN, was found to be technically compliant and its financial bid was accepted in August 2012. A purchase order (PO) was placed (September 2012) on the firm for Supply, Installation, Testing and Commissioning of SAR lab for ₹ 2.62 crore inclusive of VAT @ two *per cent* and AMC charges of ₹ 42.90 lakh for three years. As per delivery schedule, full commissioning of SAR lab was to be done within 16 weeks from the date of PO i.e. by 16 January 2013.

**b. Execution of work and commissioning**

A committee of TEC officers was constituted (November 2012) for testing/ acceptance/ validation of SAR lab system. This Committee carried out testing from 17 December 2012 to 15 January 2013 and recommended provisional commissioning of the Lab from 16 January 2013. The Committee reported that there were no “major deficiencies” but pointed out under “minor deficiencies” that SAR tests for 2450 MHz relating to Wi-Fi and Bluetooth features of mobile phones, had not been offered by the supplier. The lab was however, inaugurated on 21 January 2013 and a press release was made stating that a lab for measurement of SAR for the mobile handsets had been commissioned.

**c. Payment dispute with supplier**

As per terms of the PO, payment of 80 *per cent* of the PO value<sup>38</sup> was made (January 2013) to the vendor. M/s BNN Communication Engineers requested (February 2013) for issue of commissioning certificate for the Lab. Later on, 17 July 2013, based on tender conditions after operating the Lab for six months, it requested TEC to take over the Lab and give them a certificate of satisfactory service. At this stage TEC informed the vendor (22 July 2013) about the deficiencies noticed during commissioning of SAR lab and highlighted that all the deficiencies had been telephonically informed to it several times but were not resolved. This was contested by the vendor which took the position that the tests not done were not part of the agreed test plan, which renewed its demand for the balance payment. In addition, as TEC did not issue ‘Form C’ to the vendor, M/s BNN claimed additional VAT of ₹ 16.42 lakh<sup>39</sup>. 80 *per cent* of additional VAT was paid by TEC to the vendor in September 2016. Had TEC provided the required form to the vendor this payment could have been avoided.

M/s BNN requested (March 2015) TEC to resolve the issues through arbitration. The Arbitrator concluded (October 2017) that after making the lab operational and opening it for all business withholding payments would not be justified and the lab should be

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<sup>37</sup> M/s Kusum Electrical, M/s TCIL, M/s Lambda, and M/s BNN Communication Engineers.

<sup>38</sup> 80 *per cent* of PO value being ₹ 1,75,07,004 reduced by LD of ₹ 98,844 i.e. net payment was made for ₹ 1,74,08,160.

<sup>39</sup> Total VAT paid by vendor was ₹ 20,37,714. This was reduced by VAT already included in PO amounting to ₹ 3,95,376. Thus, additional VAT claimed was ₹ 16,42,338. TEC paid 80 *per cent* of this additional VAT claim amounting to ₹ 13,13,870 in September 2016.

deemed to be considered as commissioned on 15 July 2013. It also ordered that the equipment be treated under warranty starting from the date of commissioning i.e. 15 July 2013. It was further ordered to release balance 20 *per cent* of the payment of PO value and VAT claim with interest within four weeks of the arbitration order.

*It thus appears that the position of the TEC in the matter have come into question due to alleged ambiguity in the test plan and absence of formal and written communication to the vendor of deficiencies noticed during testing. These have contributed to a dispute with the vendor as a result the deficiencies have remained and the functioning of the Lab is affected.*

**d. Present status**

TEC stated (September 2020) that the arbitration award has been challenged (February 2018) in the competent Court, but no final judgment has been passed. It was further stated that the lab was meant only for auditing purposes and that as of now self-certificates submitted by the vendors declaring SAR value was admissible.

Thus, as the dispute with the vendor remains unresolved TEC continues to accept the manufacturers' declarations of SAR value without any audit, thereby defeating the purpose of setting up of the Lab.

**2.2.2.3 Security lab**

Telecommunication networks are playing a critical role in the economic growth of a country. It has led to government regulations in the telecom industry, which include requirements for ensuring the security of the telecom equipment and networks. The wide range of end-user devices that can now connect to the telecom networks has added to the complexity of the networks, thereby increasing the risks and vulnerabilities as well. Hence, the consequences of not implementing adequate security measures to deal with the security threats and challenges to the telecom network could be heavy.

DoT granted administrative approval for setting up a Security Testing Lab in February 2013 based on proposals submitted by TEC in December 2012. This was an important decision in the context of amendments made by DoT (May 2011) to licence agreements with Telecom Service Providers (TSPs) which inter-alia, provided that licensees should induct only those elements which had been got tested as per relevant contemporary Indian or International Security Standards. While upto 31 March 2013 testing was permitted from any international agency/ labs; from 01 April 2013, the certification was to be obtained only from authorised and certified agencies/ labs in India. In addition, with the integration of national and global telecom networks “in an end-to-end-IP scenario” and extensive use of foreign made telecom equipment had given rise to issues relating to national security which made it imperative to set up an indigenous Security Test lab. Audit findings relating to establishment of this lab are detailed below.

**a. Delays in planning of project.**

Prior to the administrative approval for the Lab, a committee had been constituted by TEC in April 2012, to deliberate on the scope and technical requirements for a Security

Test Lab. This Committee submitted (December 2013) an interim report on technical requirements of security lab for formulation of PE. It was noted that though the Committee was set up in April 2012, it met for the first time only on 25 November 2013 and again on 16 December 2013 when it finalised its interim report. Based on budgetary quotes received from nine vendors and after prolonged rounds of queries/ clarifications and explanations, the PE for ₹ 9.81 crore for the Security Test Lab was sanctioned in October 2014.

***b. Delays and failure of tendering of works.***

The NIT of security lab was issued for the first time on 09 November 2015 i.e. more than a year after sanction of the PE. In the tender a system integrator-based approach was adopted. However, as no bidder participated the tender could not be processed further. Subsequently, an open forum was conducted to obtain feedback from vendors. OEMs expressed difficulty in either providing a complete solution or finding a suitable system integrator, and suggested that OEMs/ partners should be allowed to participate independently item wise.

Based on the feedback, the tender was reviewed and NIT was issued again on 10 October 2016 for 11 items without any system integrator. Four bidders participated in the tender whose techno commercial bids were opened in October 2016 and all the bids were admitted for evaluation by the Tender Evaluation Committee. However, due to deficiencies in the bid documents the tender was also cancelled (May 2017).

Thereafter, a committee of TEC officers was constituted (May 2017) to review the NIT/ tender documents of the lab, which while recommending staying with the approach for item wise bidding, suggested some modifications in the tender document. After modifications, the NIT was floated once again on 12 September 2018. Only two bidders participated responded to the NIT (i.e. M/s. Mahindra Defence Systems Ltd and M/s. LDRA). The bids were opened on 06 December 2018, but the tender was once again cancelled on 15 February 2019, as both the bidders did not submit documents required to assess eligibility.

***c. Present status***

TEC stated (September 2020) that a High-Level committee was constituted to review the tender document to ensure wider participation by the prospective bidders. An open forum with all prospective bidders of Security test lab was conducted on 09 August 2019 to obtain inputs from prospective bidders. All the committee members were present during this interaction. Based on inputs received from the stakeholders and keeping in view of latest threat scenarios, the tender document was fine-tuned by the committee. As the existing PE of Security test lab of ₹ 9.81 crore sanctioned in October 2014 had become dated and as prospective bidders had given inputs for revision of items in the estimates, a case for review of PE was sent to DoT for approval and the approval process is under progress. Once the PE is revised, the revised tender was to be submitted to DoT for approval. No time lines were provided by which the above activities would be completed to enable fresh tendering.

TEC stated (September 2020) that at present licensed service providers are submitting international accredited test reports for Security Certification, though licensing requirements mandate security certification from authorized and certified labs in India from 01 April 2018. However, security being crucial in nature, it is necessary to set up security testing infrastructure in the country. Further, TEC also accepted that in terms of Government notification dated 05 September 2017, related to Mandatory Testing and Certification of Telecom Equipment, each telecom equipment must undergo mandatory testing and certification prior to sale or import for use in India and stated that security requirements are being finalised and security testing will be performed in TEC accordingly.

The above shows that despite being a technical organization, TEC has been unable to address and resolve the challenges of procurement and contracting approach for a technical project. It was also noted that there were delays at each stage of tender. Further, after the cancellation of the last tender in February 2019 inordinate time has been taken to finalise a revised Tender and a Project Estimate as a result of which the project is at a standstill with no clear time frame for completion. This exhibits a lack of urgency and proper coordination between TEC and DoT in establishing the Security Test lab which is related to National security.

*Thus, despite mandating licensing and statutory requirements for indigenous security testing and certification, DoT and TEC have failed to create the required infrastructure for the same.*

#### **2.2.2.4 Green Passport Lab**

In telecom networks, “Green” refer to minimizing consumption of energy through use of energy efficient telecom technologies and renewable energy resources. Carbon footprint can be reduced by introducing energy efficient telecom products by telecom manufactures and suppliers in the market. Many countries have initiated steps to reduce energy consumption and emissions in line with the Kyoto Protocol of 1997, which was signed by over 160 countries, including India. In present scenario, it is very much essential to have energy saving Telecom equipment and networks which reduce power consumption which is largest operating expenses for telecom network operators and reduce Greenhouse gas effects contributions from energy consumption by telecom networks.

In this context, DoT accepted TRAI recommendations (12 April 2011) on “Approach towards Green Telecommunications” and decided to adopt measures to green the telecommunications sector. It accordingly set broad directions and goals for achieving desired reduction in carbon emission, and issued directions to all service providers in January 2012.

As part of the above directions, TEC was named as the nodal centre that will certify telecom products, equipment, and services on the basis of Energy Consumption Rating (ECR) either by independent certifying agencies under its guidance or through their Quality Assurance teams. TEC was also required to prepare and bring out the ECR

Document delineating the specifics of the test procedures and the measurement methodology utilised. TEC was also to regularly standardize and prescribe specifications for Telecom Equipment with respect to power consumption levels.

In view of the above, a new division i.e., “**Green Passport (GP) division**” was created in TEC, and action for setting up of an integrated Green Passport lab for certification of all telecom products, equipment and services was initiated by TEC in April-May 2014. Audit findings relating to establishment of this lab are given below.

*a. Delayed administrative approval and failure of tendering for the lab.*

Examination of records show that though the Annual Action Plans had various actions with respect to establishment of the lab since 2014-15, administrative approval and expenditure sanction for Lab was only granted in June 2016 for ₹ 1.48 crore. The tender for the Lab was floated only in February 2017 and was cancelled in April 2017 as no bidder participated. Later, a committee was constituted to revise the tender documents, and after 14 months the tender was re-floated in June 2018. Though two bidders participated they were found non-responsive and the tender was again cancelled in September 2018. A third tender floated in April 2019 which had two participants, was also cancelled in July 2019 as bids were incomplete.

*b. Subsequent developments.*

TEC intimated (September 2020) that following the cancellation of the third tender, a committee was constituted to go into details and propose changes which gave its report in September 2019. A high-level committee was also constituted to review the tender template itself for making fundamental changes. However, in the meantime it was seen that the main equipment viz. the power quality analyser was available on GeMs and hence it was decided to procure through this route. TEC also intimated that the technical bids had since been approved and approval of financial bids were in process and that the lab would be established shortly.

The above shows that there has been prolonged delay in planning and execution of the Lab. This delay reflects TEC’s failure to identify an effective procurement strategy for a technical project despite several attempts. Though it has now reported that procurement is being undertaken through GEMs, no plan of action for installation, validation, integration and commissioning of the equipment has been indicated.

*As a result of the delay in establishing the Green Passport Lab by TEC, DoT’s aim of achieving desired reduction in carbon emission and greening the telecom sector was likely to be undermined.*

### **2.2.3 Conclusion**

DoT had approved the establishment of five NGN Labs and three other labs viz. SAR, Security and Green Passport Lab in TEC as TEC was the testing and certification body of the Government for telecom products, equipment and services. 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.

However, the analysis in the foregoing sections have 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 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. 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. 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*.

In all the cases it was noted that though TEC was the technical wing of DoT, it had struggled to define technical specifications and identify technical solutions for the labs. It has also been unable to work out an effective procurement and contracting strategy appropriate for technical projects though dedicated verticals were created in TEC. This has led to delays in establishing of the Labs and to disputes which have affected functioning of the two labs already established.

Due to delays and non-establishment of required labs, TEC could not ensure creation of a suitable testing infrastructure in a time bound manner, to support its mandate as a testing and certification agency of DoT especially in a sector where technology evolves rapidly.

#### 2.2.4 Audit Summation

TEC was the testing and certification body of the Government for telecom products, equipment and services. Key audit findings from the audit of establishment of five NGN Labs and three other labs viz. SAR, Security and Green Passport Lab in TEC were as follows:

- Of the five NGN labs only one lab was partially functional, three were affected by inordinate delays at all stages and one lab was dropped. As a result, the basic objective of standardising testing and certifications processes and procedures in the context of NGNs, was not met and TEC continued to rely on and accept certificates issued by notified International Laboratory Accreditation Corporation.

- In the case of the other three Labs, only the SAR lab was established but has remained non-functional due to legal disputes. The other two labs viz. the Security Lab and the Green Passport Lab are delayed despite their significance for National Security and environment respectively.
- TEC was the technical wing of DoT, yet it had struggled to define technical specifications, identify technical solutions for the labs and develop effective procurement and contracting strategies for the technical projects.

Due to delays and non-establishment of required labs, TEC could not ensure creation of a suitable testing infrastructure in a time bound manner, to support its mandate as a testing and certification agency of DoT.

### **2.2.5 Recommendations**

- A high level Technical Committee from DoT should review the status of all the nine laboratories and draw up a blue print for completion and commissioning of the labs as early as possible.
- The services of Technical experts from reputed organisations should be availed in the evaluation of technical proposals from the vendors and during the preparation of Project Estimates for establishing the labs.

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

**Irregular payment of ad-hoc bonus of ₹ 56.60 lakh by C-DOT to its employees for the years 2015-16 to 2018-19 without extension of the order by the Ministry of Finance for payment of ad-hoc bonus to Autonomous Bodies, needs to be recovered from the concerned employees.**

Every year the Ministry of Finance (MoF), Government of India issues orders for payment of ad-hoc bonus to the eligible Central Government employees. Further, separate orders were being issued upto 2014-15, extending payment of ad-hoc bonus to employees of Autonomous Bodies (ABs) subject to conditions<sup>40</sup>. No orders were issued after 2014-15 extending payment of ad-hoc bonus to employees of ABs.

Centre for Development of Telematics (C-DOT) is an Autonomous Society under the Ministry of Communications, Government of India. Audit scrutiny of the records of C-DOT, Delhi and Bengaluru campus revealed that ad-hoc bonus of ₹ 56.60 lakh was disbursed to all the Group “B” and “C” employees for the years 2015-16 to 2018-19, even though no orders had been issued by MoF for payment of ad-hoc bonus to employees of ABs for these four years.

<sup>40</sup> ABs partly or fully funded by the Central Government which have a pay structure and emoluments identical to that of the Central Government and do not have any bonus, ex-gratia or incentive scheme in operation.

C-DOT (September 2020) justified these payments based on decision taken in its Governing Council's 26<sup>th</sup> meeting held on 30 March 1999, to treat eligible employees of C-DOT at par with those of various divisions of DoT, for payment of bonus. It also stated that it received circulars for release of ad-hoc bonus for the years 2015-16 to 2018-19 and had then released ad-hoc bonus with the approval of its Governing Council. Further, the matter of the payment for these years was proposed to be taken up in the ensuing meeting of the Governing Council for a decision. It has also put on hold payments for the financial year 2019-20 due to audit observations. The Ministry has endorsed the reply of C-DOT.

The stand of C-DOT/ Ministry is not acceptable as ad-hoc bonus was payable to employees of ABs like C-DOT, only based on specific orders of MoF extending payments to employees of ABs. As no orders were issued for extending payment of ad-hoc bonus to ABs from 2015-16 onwards, payment by C-DOT was irregular. MoF has since confirmed (August 2020) that no order has been issued extending the payment of ad-hoc bonus to employees of ABs from 2015-16 onwards, and that such orders were not required as no decision had been taken to extend ad-hoc bonus to employees of ABs. Further, representations for payment of ad-hoc bonus received from employee federations, ICAR and Ministry of Health & Family Welfare by MoF, have not been agreed to by them. It has also added that payment of ad-hoc bonus by ABs for 2015-16 onwards may be treated as unauthorized and appropriate action may be taken by the concerned administrative Ministries/ Departments.

Thus, payment of ad-hoc bonus of ₹ 56.60 lakh by C-DoT to its employees for the years 2015-16 to 2018-19 without extension of the order by the Ministry of Finance for payment of ad-hoc bonus to ABs was irregular and needs to be recovered or regularized.

## Chapter-III Department of Posts

### 3.1 Irregular hiring of Casual Labourers without Contract/ Agreement

**Department of Posts 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. The irregular expenditure incurred on outsourced manpower in 18 Postal Circles was ₹ 95.94 crore.**

The Department of Posts (DoP) had vide its letter dated 04 February 1997, intimated all Heads of Postal Circles about a complete ban on recruitment of casual workers and of the requirement to obtain prior approval for such recruitment. These instructions were reiterated vide letter dated 14 February 2002. The Department later issued guidelines for outsourcing in September 2009 which, *inter-alia*, laid down terms and conditions to serve as “guiding principle for outsourcing while engaging labour on contractual basis”. These terms and conditions provided for outsourcing through a registered/licensed agency/ company selected as per prescribed rules under GFR 2005<sup>41</sup> (since replaced by GFR, 2017). Most notably, these rules ordinarily envisage selection and award of outsourcing work through a transparent bidding process. Additionally, the Manual for Procurement of Consultancy & Other Services, 2017 stipulates mandatory procurement through Government e-Marketplace (GeM) Portal (launched in 2016) of goods and services available at the portal.

Audit scrutiny of records for the period 2016-17 to 2018-19 at field offices of DoP under eighteen<sup>42</sup> (18) Circles, revealed that contrary to its own instructions, casual labourers were directly engaged on daily wages for performing skilled duties as well as non-skilled tasks such as mail sorting, delivery of mails, loading and unloading of mails/ parcels and back office work etc., which were of regular nature. The field offices obtained these services without entering into any valid agreement or contract with any licensed/ qualified agency or company. It neither maintained any panel/ list of eligible and capable agencies contractors nor followed the tendering procedures for outsourcing engagement of manpower. This was not only violative of GFRs but also of the Department’s own instructions on outsourcing for engaging labour on contractual basis. Audit found that in the test checked units/ offices, the total expenditure incurred on wages paid to casual labourers engaged directly, without any valid contract/ agreement and without following the process laid down in GFR worked out to ₹ 95.94 crore (details in **Annexure 3.1.1**).

<sup>41</sup> Rules 178-185 of GFR 2005 and Rules 197-206 of GFR, 2017.

<sup>42</sup> Bihar, Delhi, Gujarat, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal, Haryana, Punjab, J&K and Karnataka.

The Department confirmed the facts (February 2020) but justified deviations from the procedures laid down in GFRs on various grounds. These include acute shortage of staff at various operative levels, emergent nature of works in the Post Offices/ Railway Mail Service units, practical difficulties/ constraints encountered while undertaking tenders for outsourcing and hiring through GeM and its offices being widely spread across the country. It also intimated that it has given directions to all Circles to ensure that all the possible steps are taken to fill up the vacancies and to follow the laid down procedures for hiring and utilizing manpower.

The reply of the Department is not acceptable as the fact remains that engagement of labour/ manpower directly and without following a transparent process was violative both of GFR and its own instructions. As a result, the Department had incurred irregular expenditure on hiring of labour in the test checked units amounting to ₹ 95.94 crore.

Further, even though only a test check was done in a limited number of units, violations were seen to exist in most Postal Circles. This shows that the Department had not devised any mechanism for monitoring compliance with GFRs and its instructions. As such the irregularity being more widespread cannot be ruled out given that the average annual expenditure on wages in the period covered by audit has been approximately ₹ 368 crore. Further, despite being aware of constraints faced in implementing a transparent and cost effective process for contracting labour, no concrete and coordinated plan of action to address the same has been mooted.

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

**Postal Directorate issued instructions in March 2017 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 MGNREGS wages. Andhra Pradesh and Telangana Postal Circles failed to follow these instructions 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.**

Department of Posts (DoP) disburses Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wages to the beneficiaries through Post Offices on behalf of Ministry of Rural Development (MoRD) since its inception. Combined Andhra Pradesh (AP) Postal Circle was providing the value added services<sup>43</sup> to Department of Rural Development Andhra Pradesh in connection with the MGNREGS wages disbursement since 2009. In other Postal Circles, MGNREGS wages were disbursed manually or using Rural Information Communication Technology (RICT) devices. In this regard, tripartite agreement was signed between AP Postal Circle, Department of Rural Development, AP State and APOnline, Hyderabad on 22 June 2009 to disburse the MGNREGS wages. On formation of Telangana Circle (June 2014), two separate tripartite agreements were executed by AP Postal Circle and

<sup>43</sup> Disbursement of wages Aadhaar based biometric through Point of Transaction Devices.

Telangana Postal Circles with APOne and TSONline respectively to continue value added services in the circles. The said agreements were valid upto 31 March 2017 or till implementation of National Electronic Fund Management System (NeFMS), whichever was earlier. NeFMS system was implemented in AP and Telangana Circles in February 2017 and December 2017 respectively. As per the agreement, the service charges were being paid directly to APOne/ TSONline by Rural Development Department, Government of Andhra Pradesh/ Telangana till November 2016.

Postal Directorate issued (March 2017) instructions to Circles not to claim any service charge for wage disbursement from State or Public Financial Management System (PFMS)/ National Payments Corporation of India (NPCI) as the claim was being preferred centrally to MoRD every year @ ₹ 80 on account of maintenance of each MGNREGS Saving Bank account for the entire network of Post Offices in the country. However, Directorate instructions stipulated that the Circles could continue to claim service charges from the respective State Governments for value added services, if any, agreed upon through some special tie-up or Memorandum of Understanding (MoU).

In contravention of the aforesaid instructions, both the Circles entered into bipartite agreement with APOne/ TSONline to provide the required technical support in both the circles for which APOne/ TSONline preferred claim for ₹ 27.55 crore for the period from December 2016 to August 2020, against which the Circles paid ₹ 12.22 crore leaving a pending liability of ₹ 15.33 crore as of September 2020, as shown in **Table 3.2.1** below:

**Table 3.2.1: Statement showing Pending Liability**

(₹ in crore)

<b>Circle</b>	<b>Period</b>	<b>Claims preferred by APT/ TSONline</b>	<b>Amount paid by DoP Circle</b>	<b>Pending liability</b>
Andhra Pradesh	February 2017 to July 2018	7.94	*6.73	1.21
Telangana	December 2016 to August 2020	19.61	5.49	14.12
<b>Total</b>		<b>27.55</b>	<b>12.22</b>	<b>15.33</b>

\*APOne had withheld DoP funds of ₹ 6.73 crore (₹ 3.47 crore and ₹ 3.26 crore) towards settlement of service charges pertaining to prior period.

The cost (paid to AP/ TS Online) for the required technical support was met from DoP funds by Andhra Pradesh and Telangana Postal Circles for the above value-added services. Though DoP Directorate had instructed (March 2017) to execute special MoU/ tie-up with State Government for provision of value-added services, the Andhra Pradesh and Telangana Postal Circles did not execute the same with State Government Departments and therefore could not claim the service charges. Under the earlier tripartite agreement among DoP Postal circles, respective Rural Development Departments of State Governments and APOne/ TSONline, State Governments had released service charges which were shared by DoP Circles and AP/ TSONline as per

the agreements<sup>44</sup>. But subsequently, Andhra Pradesh and Telangana Postal Circles entered into bipartite MoU with only APOne/ TSONline instead of the state governments in contravention of DoP instructions.

The matter pertaining to Telangana Circle was referred (December 2019) to the Ministry which denied (July 2020) the audit contention and stated that instructions issued in March 2017 did not ask the Circles to discontinue the agreement with the APOne/ TSONline and there were no direction to field units to discontinue the existing services. Continuing the agreement with APOne/ TSONline was very well within the delegated powers (May 2006) and Telangana Circle had contributed a revenue of ₹ 146.91 crore during the period January 2018 to July 2018 and this revenue was a collective outcome of the efforts put in by Telangana Circle in unison with APOne/ TSONline. Hence, no loss had been incurred by continuation of the agreement with APOne/ TSONline.

The reply of DoP is not acceptable as the instructions (March 2017) of Postal Directorate clearly stipulated that Circles can continue to give value-added services, if any, by having a special tie-up/ MoU with the State Governments whereas the Circles entered into MoU with APOne/ TSONline in contravention of the instructions without any tie up with state concerned. Further, it was clearly mentioned in the last tripartite agreements made on 07 October 2016 between DoP, Telangana Circle, Department of Rural Development, Government of Telangana State (RD-GOTS) and TSONline Hyderabad that service charges receivable from RD-GOTS will be shared between DoP and TSONline till migration to NeFMS. In the absence of any MoU/ tie-up, State Government was not bound to pay any services charges for the value added services provided by the AP and Telangana Circles for disbursement of MGNREGS wages. Regarding contributing to revenue by Telangana Circle, it is pointed out that no payment was received between January 2018 to July 2018 from the Department of Rural Development of both the States. The issue of payment of Service charges for value added services was raised by the Circle in a meeting held on 06 April 2017 with the Chief Secretary of Government of AP and the Government of AP expressed their inability to extend the service charges from their side. In spite of that DoP continued value added service in AP and Telangana Postal circle through APOne and TSONline much beyond implementation of NeFMS. Further, Postal Circles also accepted the fact that they requested Rural Departments of concerned State Governments to release the required service charges for provision of value added services which was refused on the ground that after the introduction of the NeFMS system, the service charges component had been removed from admin cost by the Government of India which implied that the State Governments were not expected to incur any kind of expenditure towards service charges to the wage disbursing agencies under MGNREGS.

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<sup>44</sup> Service charges as received from State Government was shared between DoP and APOne in the ratio of 50:50 for the period from 01 June 2015 to 31 December 2015 and 55:45 from 01 January 2016 to 16 October 2016.

Thus, failure of Andhra Pradesh and Telangana Postal Circles to follow the Postal Directorate instructions and continuing with the tie up for value added services without any MoU with the concerned State Governments and after implementation of NeFMS resulted not only in loss of ₹ 12.22 crore, but also in further liability of ₹ 15.33 crore to DoP.

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

**Seven Postal Circles under the Department of Posts failed to recover the Building and Other Construction Workers' Welfare Cess (BOCWWC) under the BOCWWC Act, 1996 amounting to ₹ 1.93 crore from contractors' bills. This resulted in cess of this amount not being remitted to the concerned State Building and Other Construction Workers' Welfare Boards.**

The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 was enacted to regulate the employment and conditions of service of building and other construction workers and provide for their safety, health and welfare measures. This act provided for constitution of Building and Other Construction Workers' Welfare Boards. To augment the resources of these Boards, Government enacted the Building and Other Construction Workers' Welfare Cess (BOCWWC) Act, 1996 which provided for levy and collection of a Building and Other Construction Workers' Welfare Cess<sup>45</sup> (hereinafter referred to as "the cess") on the cost of construction incurred by employers<sup>46</sup>. In case of a building or construction work of a Government, this Act and related Rules<sup>47</sup>, provide for deduction of the cess at source and its remittance to the respective Welfare Boards. State Governments have also issued notifications to enforce the provisions of the BOCWWC Act, 1996.

Department of Posts (DoP) has its own dedicated Works Wing for building construction and civil works and has adopted the CPWD Works Manual and its General Conditions of Contract. In the context of the BOCWWC Act, 1996, the relevant clauses of the General Conditions of Contract are 19, 37 and 38. As per Clause 19, the contractor is required to comply with provisions of the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the BOCWWC Act, 1996. Clause 37 *inter-alia*, provides that the cess would be payable by the contractor and if under any law etc., it becomes payable to the State Government by the Government of India and not by the contractor, GOI will have the right to recover the same from the dues of the contractor. Clause 38 provides that all tendered rates should be inclusive of all taxes and levies (except service tax) payable under the relevant statutes.

Audit conducted a test check of compliance with provisions of BOCWWC Act, 1996 with respect to works undertaken by DoP in 13 Postal Circles covering the period

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<sup>45</sup> Cess is to be levied at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction and collected from every employer in relation with building and other construction work.

<sup>46</sup> In case of establishments where building or construction work is done by or through a contractor or by employment of building workers supplied by a contractor employer is defined as the contractor.

<sup>47</sup> Section 2(1) (d) of the BOCWWC Act, 1996 and Rule 4(3) of BOCWWC Rules, 1998.

2014-15 to 2017-18. The test check has disclosed that in seven (7) Postal Circles<sup>48</sup>, DoP had not recovered the cess under the provisions of the BOCWWC Act, 1996 from the bills of the contractors relating to Building or other construction works while in the remaining test checked Circles, deductions were being made. As a result, in the seven defaulting Circles, cess totaling ₹ 1.93 crore for the period 2014-15 to 2017-18 (**Annexure 3.3.1**) had not been collected and was thus also not remitted to the concerned State Building and Other Construction Workers' Welfare Boards. This amounted to non-compliance both with the statute and Clause 37 of the General Conditions of the Contract (GCC). If the scope of the checks were extended to more Circles and a longer period, the quantum of non-recovery of the cess is likely to be much higher. It is also pointed out that as Clause 38 of the GCC envisaged that all taxes and levies should be factored in the tendered price, failure to recover the cess from the tendered price, also resulted in undue payments to the concerned contractors.

Several Postal Civil Divisions in Circles, where recoveries were not being made, attributed the non-compliance to lack of directions/ instructions from DoP on this subject. While it is true that the DoP should have issued directions on the requirement of complying with the statute, the onus of complying with the statutory requirements and the GCC is that of local executing authorities. It is pointed out that six Postal Circles had deducted the cess and remitted the same to their respective State Welfare Boards without waiting for instructions from the DoP. In addition, some Postal Civil Divisions incorrectly cited contract clauses/ Notice Inviting Tender (NIT) or absence of the same for justifying non-recovery of the cess.

The Department accepted the audit observation and issued (July 2019) instructions to all the Head of Circles to comply with the provisions of the Building and other Construction Workers Welfare Cess Act, 1996 to levy and collect the cess by Department and remit the same to respective State Welfare Boards. Further, after being pointed out by Audit, Postal Civil Divisions in Mumbai, Cuttack and Bangalore have started deducting cess from the bills of the Contractors including a partial recovery of past dues. However, all these steps constitute belated responses when the requirement was for issuing clear and timely directions to ensure compliance with statutory provisions.

Thus, test check of compliance with the provisions of the BOCWWC Act, 1996 showed that seven Postal Circles failed to recover and remit the cess to the tune of ₹ 1.93 crore for the period 2014-15 to 2017-18 meant for welfare measures of construction workers. As the GCC required contractors to factor all taxes and levies including the cess, in their tendered price non-recovery of the same from payments made to contractors, resulted in undue payments to them.

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<sup>48</sup> Bihar, Jharkhand, Karnataka, Maharashtra, Odisha, Uttar Pradesh and West Bengal

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

**The 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 2011-18, resulting in monetary loss of ₹ 1.88 crore to the concerned employees due to failure to invest these contributions in Trustee Banks.**

Government of India (GoI) had introduced a new Defined Contribution Pension Scheme also referred to as the New Pension Scheme (NPS). This scheme was applicable to all Government employees except the armed forces, joining Government service on or after 01 January 2004.

The NPS works on defined contribution basis with contribution at two tiers viz. Tier-I and Tier-II. Contribution to Tier-I is mandatory for all Government servants and equals 10 *per cent* of Basic Pay plus Dearness Allowance (DA), which is deducted from the salary bill of the Government Servants each month, by the Pay and Accounts Office (PAO)/ Drawing and Disbursing Officer (DDO) concerned. The Government also makes an equal matching contribution. Tier-I contributions (and the investment returns thereon) are kept in a non-withdrawable Pension Tier-I Account. Tier-II contribution is optional and at the discretion of the Government servant.

To develop and regulate Pension Funds under NPS, the Government established the Pension Fund Regulatory and Development Authority (PFRDA) on 10 October 2003 to develop and regulate the Pension Funds under the NPS. The PFRDA appointed a Central Record keeping Agency (CRA)<sup>49</sup> to maintain records of contributions and their deployment in various pension fund schemes. The records of the contribution are kept in an account known as the Permanent Retirement Account for each employee identified by a Permanent Retirement Account Number (PRAN).

The Controller General of Accounts (CGA) under the Ministry of Finance has periodically issued guidelines for PAOs and DDOs on NPS. The CRA has also issued Standard Operating Procedure (SOP) which inter-alia, require DDOs to obtain applications from employees for registration under NPS within seven days of joining and forward the same to concerned PAOs. In addition, DDOs are required to submit pay bills and bills for Government's contribution to PAOs for payment and further accounting of the pension contributions. The PAOs in turn are required to be pass the contributions on to the Trustee Bank for investment without any delay so that there is no loss to the employees. The above guidelines/ instructions were also endorsed to DoP for necessary action.

Audit scrutiny of records relating to NPS (July 2018 to November 2019) in 14 out of 23 Postal Circles revealed that out of the 58,276 employees recruited during the period 2011-2019, PRAN were not generated in the case of 3,676 employees (6.31 *per cent*). Postal Circle-wise details are given in **Table 3.4.1**. In Andhra Pradesh, Telangana, Uttar

<sup>49</sup> National Securities Depository Limited was appointed CRA.

Pradesh and Uttarakhand Circles, the percentage of PRAN not generated ranged from 12.71 to 17.12 *per cent* of employees recruited during 2011-2019.

**Table 3.4.1: Circle wise details of employees where PRAN not generated from 2011-12 to 2018-19**

Postal Circles		Employees recruited under NPS	PRAN not generated	Percentage of PRAN not generated
1	AP and Telangana (Two Circles)	3,429	587	17.12
2	Bihar	3,658	307	8.39
3	Delhi	NA	80	-
4	Gujarat	6,286	97	1.54
5	Haryana	2,043	46	2.25
6	Himachal Pradesh	1,232	0	0.00
7	Jharkhand	1,810	61	3.37
8	Kerala	6,808	159	2.34
9	Madhya Pradesh	3,487	127	3.64
10	Maharashtra	10,841	403	3.72
11	Odisha	3,553	343	9.65
12	Rajasthan	4,218	37	0.88
13	Uttar Pradesh	9,688	1231	12.71
14	Uttarakhand	1,223	198	16.19
<b>Total</b>		<b>58,276</b>	<b>3,676</b>	<b>6.31</b>

As a result of the failure to generate PRAN in the case of 3,676 employees, pension contributions pertaining to the period 2011-2019 recovered from these employees and the matching Government contributions, amounting to ₹ 19.16 crore, were not remitted to the respective employee/ subscriber's accounts. This not only resulted in irregular retention of the NPS contributions in the Government Accounts but also resulted in monetary loss to the concerned employees due as their contributions could not be passed on to Trustee Banks for investment. The estimated loss of returns to the employees works out to ₹ 1.88 crore at the rate of 9.85<sup>50</sup> *per cent* on total Pension contribution of ₹ 19.16 crore.

An age wise analysis of the unremitted contributions shows that out of the total unremitted amount of ₹ 19.16 crore, ₹ 65.40 lakh (3.73 *per cent*) was not transferred for more than six years. Further, contributions amounting to ₹ 3.29 crore (17.18 *per cent*) remained un-remitted for over three years and ₹ 15.15 crore (79 *per cent*) for three years as of March 2019. This is shown in **Table 3.4.2**.

**Table 3.4.2: Period wise NPS contribution not remitted**

Period	Contribution not remitted (Figure in ₹)	Percentage of non-remittance
2011-12 to 2012-13	65,40,513	3.73
2013-14 to 2015-16	3,29,29,249	17.18
2016-17 to 2018-19	15,15,73,738	79.09
<b>Total</b>	<b>19,16,48,345</b>	

<sup>50</sup> Loss of income/ returns has been computed on the base of the interest rate of 9.85 *per cent* {annual rate of interest (average returns of the three fund managers viz. LIC, SBI & UTI under Scheme Central Government as taken from the Annual Report of NPS Trust for the year 2017-18)}

The above shows the extent of delays in generating PRAN for a significant number of new employees leading to contributions remaining unremitted for prolonged periods.

On this being pointed out by Audit, DoP stated (October 2019) that necessary instructions had been issued by the Circles to the concerned DDOs to contact officials for whom PRAN had not been generated and submit the required information for settlement of un-posted amounts. It also mentioned that some of the officials for whom PRAN was not available may no longer be in service or be on long leave.

The reply is not acceptable as the DDOs should have ensured that the duly filled in applications/ Common Subscriber Registration Form (CSRFF) forms were received from employees within seven days of their joining, and then passed on to the concerned PAO/ Director of Accounts (Postal) Offices (DAP). The PAOs/ DAP Offices in turn, should have also pursued this aspect as per extant instructions.

Thus, failure of the DDOs and PAOs of DoP to promptly ensure registration of new entrants under NPS and generation of PRANs, resulted in irregular retention of contributions under NPS of 3,676 new employees amounting to ₹ 19.16 crore during the period 2011-19. As a result, this amount could not be transferred for investment to the Trustee Banks leading to loss of returns estimated at ₹ 1.88 crore, to the concerned employees.

### **3.5 Infertuous expenditure on procurement of Remotely Managed Franking Machines**

**Department of Posts (July 2010 and August 2011) decided 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 infertuous.**

Department of Posts (DoP) decided (July 2010) to introduce Remotely Managed Franking System (RMFS) which provided for replacement of Electronic Franking Machines by Remotely Managed Franking Machines (RMFM). RMFMs are not required to be physically carried to a Post Office for loading postage value, as this task can be performed through remote centers. The decision to introduce this system was taken as it was based on new technology with security features<sup>51</sup> and elimination of human intervention for loading credit in franking machines. Subsequently, general operating procedures (August 2010) for RFMS and specific operating procedures for Departmental Franking machines under RFMS (April 2012) were issued to Postal Circles.

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<sup>51</sup> Like generation of 2D barcode with frank impression.

DoP issued (July 2010 and August 2011) instructions to the Postal Circles for introduction and procurement of RMFMs for Departmental use<sup>52</sup>. The instructions were for purchase of low speed franking machines available at Directorate General of Supplies and Disposals (DGS&D) rate contract as per their requirement, subject to availability of non-plan funds. As there was no DGS&D rate contract for high speed machines, in case of requirement hiring of such machines was allowed. In addition, low speed machines could also be hired if found economical and cost effective. Later, (February 2013), these instructions relating to Departmental use of RMFMs, were updated inter-alia, to provide for purchase of RMFMs available under DGS&D rate contracts from Plan Funds instead of non-plan funds. The option of hiring both low and high speed RMFMs, if found economical and cost effective was continued. Thus, Circles were required to evaluate and compare the option of purchase and of hiring either low or high speed RMFMs.

Records of procurement and hiring of RMFMs, were test checked (March 2018 to February 2019) in eight out of 23 Postal Circles by audit. The test check revealed that in these eight Postal Circles<sup>53</sup>, 159 RMFMs<sup>54</sup> were procured during 2013-15 at a cost of ₹ 2.51 crore. Out of the above, 104 RMFMs (65 per cent) worth ₹ 1.47 crore, were not utilized. Audit scrutiny revealed that RMFMs were lying idle due to compatibility, maintenance and capacity issues. Details are given in **Annexure 3.5.1**. Circle-wise analysis covering numbers of unutilized machines along with reasons for non-utilization is given in **Table 3.5.1**.

**Table 3.5.1: Circle-wise status of non-utilization**

Postal Circles	RMFMs procured	RMFMs lying idle	Reasons of non-utilization
Andhra Pradesh	22	17	Cartridge problem, low speed, not suitable for bulk handling such as in MBC and BPC <sup>55</sup> , AMC <sup>56</sup> , repair and service issues.
Telangana	24	24	Cartridge problem, not suitable for bulk handling, repair issues, low speed.
Punjab	10	7	Machines were non-repairable, were not suitable due to low speed and had high maintenance cost
Haryana	2	1	Slow speed of machines and manual feeding of articles.
Himachal Pradesh	4	3	Technical problem; no AMC and lack of consumables such as cartridges.

<sup>52</sup> DoP provides Franking Machine Licenses under three categories i.e. (i) Individual Franking Machines: FM supplied by DoP to individuals such as to Government offices for their need (ii) Commercial Franking Machines: Private /Government entities buy their own machines and franks/value is loaded by DoP/Banks and (iii) Departmental Franking Machine: these are DoP's own machines and are located in Post Offices.

<sup>53</sup> (i) Andhra Pradesh, (ii) Delhi, (iii) Haryana, (iv) Himachal Pradesh, (v) Maharashtra (incl. Mumbai & Goa), (vi) Punjab, (vii) Telangana and (viii) Rajasthan

<sup>54</sup> Including low end and mid end machines.

<sup>55</sup> Business Postal Centres.

<sup>56</sup> Annual Maintenance Contract.

Delhi	28	16	Machines not suitable for bulk handling; problems related non-availability of consumables such as cartridges; low speed; machines being non-repairable and absence of trained staff.
Mumbai, Goa and Maharashtra	57	27	Technical problems relating to server and motor; high AMC cost; no renewal of AMC; lack of consumables such as cartridges and low level of use.
Rajasthan	12	9	No AMC and closure of BPCs.
<b>Total</b>	<b>159</b>	<b>104</b>	

Out of these eight Circles, seven Circles<sup>57</sup> had also separately hired machines for franking mail on “click charge basis<sup>58</sup>” and incurred an expenditure of ₹ 11.37 crore as the low end RMFMs procured earlier, were found unsuitable. Details are given in **Annexure-3.5.2.**



Idle RMFM at Sansad Marg Post Office, Delhi

Idle RMFM at Jawahar Nagar Post Office, Jaipur

DoP in their reply, (August 2019) stated that RMFMs were procured keeping in view the specifications and volume of mail at that time. However, thereafter the volume of personal mail had declined while business mail started to grow. In this scenario, high end Franking Machine was required to handle the increase in volume of mails. DoP also stated that instructions have been issued to use the low speed idle Franking Machine at counters for franking of mail in Post Offices where volume of mail is not high.

The reply is not acceptable as field units had been consulted both on specifications and the volume of mail to be handled, and requisition had been given for both low as well

<sup>57</sup> (i) Andhra Pradesh, (ii) Delhi, (iii) Haryana, (iv) Maharashtra (incl. Mumbai & Goa), (v) Punjab (vi) Telangana and (vii) Rajasthan

<sup>58</sup> The user i.e., the DoP has to pay @ 14 paise per click/ impression. Service Tax as applicable from time to time shall also to be paid.

as high end machines. Though the projected requirement was for the full range of RMFMs, DoP restricted its approval for purchase of only low end, upper low end and mid end machines, which were available on DGS&D rate contracts. It allowed higher end machines to be taken only on hiring basis and left it to the Circles to assess different options and decide. The fact that several machines remained unused on account of low speed, unsuitability for handling larger volumes of mail and lack of features such as automatic feed shows that both shortlisting of machines by the Postal Directorate and procurement by Circles, were made without evaluating the capability of the machines vis-a-vis requirements. DoP's reply also does not address issues relating to serviceability, non-availability of AMC and support, inadequate supply of consumables such as cartridges, and non-availability of trained personnel which also led to low utilization. Besides, the belated transfer of machines to Post Offices with low volume of mails, would also not yield any benefit on account of issues relating to serviceability.

Thus, failure of DoP to properly evaluate requirement for RMFMs with reference to capacity, volume of work and compatibility, and to ascertain economic viability taking into account maintenance issues and costs, as also to address serviceability issues led to idling of 104 RMFMs in eight Postal Circles. This rendered the expenditure of ₹ 1.47 crore on these machines infructuous. No corrective action was taken by the Department since 2015 to address the issues leading to the idling of the machines except belatedly diverting some machines to Post Offices with low volume of mails.

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

**Maharashtra Postal Circle incurred avoidable excess expenditure of ₹ 58.41 lakh by accepting incorrect category of tariff on energy charges billed by electricity authorities.**

Maharashtra Electricity Regulatory Commission (MERC) determines the tariff for supply of electricity through the Distribution Licensees for various classes of consumers within the State of Maharashtra. As per the MERC order dated 16 August 2012 applicable with effect from 01 August 2012, the consumption of electricity by 'Post Offices' was categorised under 'LT X-Public Services' for Low Tension connections and 'HT IX- Public Services' for High Tension connections. Further, the tariff was revised by MERC with effect from 01 June 2015, 01 November 2016 and 01 April 2017 with the same categories of billing.

Test check of paid electricity bills for the period June 2016-March 2018 in 336 Post Offices/ Postal Units, which were in the name of Departmental Authorities under different regions of Maharashtra Postal Circle of the Department of Posts, revealed that electricity authorities i.e. MSEDCL<sup>59</sup> were levying higher energy charges as connections to these units were categorized as "Commercial" instead of "Public Services". These higher charges were paid by formations under the DoP without

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<sup>59</sup> Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)

adequate scrutiny of the bills. The total excess billed energy charges worked out to approximately ₹ 58.41 lakh in respect of the test checked units.

On being pointed out by Audit (June 2019), DoP in its reply (December 2019) accepted the facts and figures and stated that all Regions in the Maharashtra Circle have been directed to take immediate action for conversion of electricity meters from 'Commercial Service category' to 'Public Service category' without delay and submit replies to the Postal Directorate. It was also intimated that the Pune and Nagpur Regions had converted 331<sup>60</sup> and 26 meters respectively, into Public Service Category.

The reply is not acceptable as it does not explain the lapse in not ensuring re-categorization of Postal Units as "Public Services" connections even six years after MERC had passed orders for categorizing Post offices as "Public Services". Further, while there are 2,216 Departmental Post Offices in the Circle, DoP has informed about conversion of electricity meters to Public Service Category only in the case of 357 Post Offices. For other Post Offices, it has only directed the Maharashtra Circle to complete the action. No action has also been initiated for adjustment of excess energy charges paid by the Post offices.

Thus, due to omission on the part of the Maharashtra Postal Circle and units under it, to get the electricity connections categorized as "Public Services", test checked postal units under the circle paid excess energy charges amounting to ₹ 58.41 lakh during the period June 2016-March 2018. It is also pointed out that the finding being reported is with respect to test checked units only from amongst units with electricity connections in the name of departmental authorities and for the excess payments made from 2016-17. The excess payment is likely to be much higher if all electricity connections including those where connections were not in the name of departmental authorities and for the period prior to 2016-17, are also taken into account. The department needs to strengthen its internal controls/ internal audit.

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<sup>60</sup> Of which only 50 connections were in the name of Departmental Authorities covered under this para.

## Chapter-IV

### Ministry of Electronics and Information Technology

#### 4.1 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 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 NICS I for the project was rendered unfruitful.**

In December 2008, Ministry of Electronics and Information Technology (MeitY) accorded administrative approval for a project for broadband connectivity to 2,500 Common Services Centres (CSCs) in the North East and other inaccessible regions<sup>61</sup> not covered by BSNL, using Very Small Aperture Terminal (VSAT). The project was to be implemented through National Informatics Centre Services Incorporated (NICS I). The approved outlay for the project was ₹ 49.88 crore of which contribution of MeitY as Grants-in-aid to NICS I was ₹ 24.94 crore. The balance ₹ 24.94 crore was to be released as Assured Central Assistance (ACA) to 12 States. The approved project duration was four years.

The proposal for the project was approved by the Empowered Committee for CSCs (Committee) in its fifth meeting (December 2008). The project comprised provision of a VSAT Hub and bandwidth infrastructure by National Informatics Centre (NIC) for which it would be paid a monthly bandwidth charge by the CSCs. VSAT equipment for CSCs was to be procured directly from empaneled vendors<sup>62</sup> by Service Centre Agencies (SCAs)/ Village Level Entrepreneurs (VLEs) functioning as CSC operators. In addition, these operators were to arrange after sales service support from the vendor.

The Committee in its 7<sup>th</sup> meeting held in September 2010 i.e. 21 months after approval of the project, made a key change in the project’s implementation strategy. In view of the original proposal’s cost implications<sup>63</sup> for SCAs/ VLEs, it approved use of project funds for procurement and maintenance of VSAT equipment. This task was entrusted to CSC e-Governance Services India Limited (CSC-SPV)<sup>64</sup> which was required to follow due process for selection of vendors. To implement the above change, ₹ 9.32 crore was sanctioned (May 2011) from within the approved project cost, as Grants-in-aid (GIA) to CSC-SPV. CSC-SPV selected M/s Hughes Communication Limited as the vendor for supply and maintenance of VSATs.

<sup>61</sup> Himachal Pradesh, Uttarakhand and Jammu & Kashmir.

<sup>62</sup> At prices fixed as part of the empanelment process.

<sup>63</sup> Investment in VSAT equipment and payment of bandwidth charges.

<sup>64</sup> A Special Purpose Vehicle floated by MeitY.

After sanctioning funds to CSC-SPV, the balance project funds of ₹ 40.56 crore were equally distributed as GIA to NICS I from MeitY, and as ACA to be released by Ministry of Finance (MoF). From the GIA released to NICS I, the CSC -VSAT Hub was set up in November 2011. In January 2015 through an addendum, interest earned by NICS I was adjusted from its share of GIA and allocation of ACA between states which had still not been disbursed, was given. In the meantime, the project completion date was first extended from December 2012 to December 2013 and then from November 2013 to March 2017<sup>65</sup>.

Audit examination of records relating to the project, disclosed the following:

- a) The project was beset with delays throughout. NICS I obtained a VSAT Operating License required for providing VSAT service, only in November 2009 i.e. 11 months after the project was approved. Thereafter, the change in implementing strategy delayed the actual initiation of the project by two and a half years. As a result, project completion was shifted in stages, up to March 2014 for execution and up to March 2017 for maintenance. Against planned installation of 2,500 VSATs at CSC sites, CSC-SPV placed orders only for 2,488 VSATs and WPC clearance<sup>66</sup> was obtained for only 2,384 CSC sites. Though project execution was to be completed by March 2014, installation at several sites had spilled beyond this deadline, and even after a lapse of three years i.e. by March 2017, only 1,981 VSATs had been installed. It was noted that the vendor viz. M/s Hughes Communications Limited had not delivered VSAT equipment in the case of 507 CSCs.
- b) VSAT equipment installed and commissioned at CSCs were not being optimally utilized. An assessment done by NIC/ NICS I for March 2017, showed that only 33 *per cent* of the total installed VSATs were online<sup>67</sup> in that month. An analysis of day wise performance showed that only 11-22 *per cent* of VSATs were online per day during March 2017. The low level of utilization of VSAT infrastructure was ascribed to demand for data speed by VLEs and CSCs having access to alternate mode of connectivity as BSNL and other private operators had since increased their reach in these inaccessible regions. This shows that the Ministry had not adequately considered other options for providing connectivity while approving the project, and in the 7<sup>th</sup> Meeting of the Committee (September 2010) specifically ruled out possibility of BSNL providing connectivity in these areas. Further, the long delay in implementing the project when technology in this field was evolving rapidly, would itself have proved detrimental to utilization of VSATs as more preferred options became available in the meantime.
- c) MeitY released the due GIA of ₹ 20.28 crore to NICS I which was utilized for procurement and installation of the VSAT hub and for other supplies

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<sup>65</sup> Time line for completing execution upto March 2014 and for maintenance upto March, 2017.

<sup>66</sup> Clearance from Wireless Planning & Coordination Wing of Department of Telecommunications (DoT) for citing of wireless installations.

<sup>67</sup> VSATs that came online at least once during the period.

(₹ 9.65 crore), and for payment of license fees, spectrum charges and satellite charges. However, out of the ₹ 20.28 crore earmarked as ACA, NICSII received only ₹ 5.83 crore due to non-furnishing of Utilisation Certificates (UCs) by states and change in funding pattern of the scheme from 2015-16. It was noted (May 2017) that two states had not even transferred ACA amounting to ₹ 49 lakh released to them by the Ministry in 2014-15, to NICSII. ACA payments were required to compensate NICSII for expenditure on providing bandwidth infrastructure such as VSAT license fee, satellite bandwidth charges to ISRO and for maintenance of the VSAT hub. As a result of pending ACA payments NICSII faced a shortage of funds, which affected its capacity for ensuring timely payment of regulatory charges to DoT and satellite bandwidth charges to ISRO and overall made it difficult for NICSII to run the project. Though the problems with funds was highlighted in successive review meetings, ACA payments were still (November 2020) outstanding.

- d) The project duration had been extended to March 2014 for execution and March 2017 for maintenance. Even though by March 2017 installation had been undertaken only in 1,981 CSCs and that too with delays, it was decided not to extend the project beyond this date. This decision was attributed to NICSII's decision to surrender its VSAT license due to anticipated increase in license fees payable to DoT, introduction of CSC-Digital Seva and low utilization of installed VSATs. However, fund constraints due to non-release of ACA was also flagged as creating difficulties in running the project and ensuring timely payments for opex for the bandwidth infrastructure.
- e) Project Review and Steering Group (PRSG) (May 2017), while recommending discontinuance of the project, decided that States should take over project inventories and that MeitY would extend support to States for smooth transition to hubs of other suitable service providers. Ministry however, intimated (November 2020), that while States were making efforts to take over the VSAT assets, these cannot be used anymore as the NICSII hub had become non-operational after surrender of VSAT license to DoT. As regards support to States, it was stated that after surrender of the VSAT license, States had been asked to use the project assets suitably for which CSC-SPV was asked to coordinate with the State Governments. It also added that with the introduction of CSC-2.0 project, CSCs were to arrange Information and Communication Technology (ICT) infrastructure including connectivity through available Internet Service Providers (ISPs). Data provided by Ministry with respect to the status of the 1,981 CSCs where VSAT was installed under the project, shows that only 1,645 CSCs were functional but were using connectivity provided under CSC 2.0 project. The remaining 336 CSCs were not functional. Thus, in the absence of a clear alternate roadmap for utilization of VSAT assets, none of the equipment installed in the 1,981 CSCs under the project, were being used since May 2017.

MeitY attributed the delays in the Project to time taken for getting mandatory DoT clearances and severe delays on the part of the vendor viz. M/s Hughes Communications Limited. The vendor in turn cited constraints such as difficult terrain, natural calamities, erratic power supply, law and order issues and re-orientation of CSC VSATs. The discontinuation of the project was ascribed to issues relating to NICSIs VSAT license and policy changes under Digital India programme. In a subsequent reply (March 2019) on idling of equipment, MeitY stated that States had been advised to “adopt a suitable methodology or draw a roadmap” for “continuing O&M and bandwidth after closure of the project”, and hence the matter of idling of VSAT equipment after project closure, “comes under the purview of the concerned States”.

The reasons given for delays do not explain the initial delay due to revision in implementation strategy 21 months after the start of the project, though this indicated that the project was taken up without adequate consultation with stakeholders such as SCAs/ VLEs and even States. Further, reasons cited for subsequent delays in procurement and installation, were well known and could have been catered to in the planning and execution process. As regards discontinuance of the project besides the reasons given in the reply, reasons such as low level of utilization of the equipment and funds shortage were also responsible for the decision. All these issues could have been addressed through better planning and coordination with other Departments and the States, and by proactively pursuing alternatives that could use the extensive VSAT infrastructure created. The stand of MeitY that post closure of the project use of the equipment was in the purview of the States, is not tenable as the changed implementation strategy clearly made MeitY responsible both for procurement and maintenance of bandwidth infrastructure on payment of bandwidth charges. Alternatively, it should have actively helped the States prepare a clear road map and monitor its execution to prevent idling of equipment.

Thus, due to inadequate planning and coordination the project objective of providing broadband connectivity in remote areas by 2012 was not achieved. VSAT equipment procured at a total cost of ₹ 8.63 crore and installed in 1,981 CSCs located in remote regions of the country under the project, were not used optimally, and were idle since discontinuance of the project in March 2017. In addition, due to the low level of utilization of the VSAT equipment in the CSCs till March 2017, expenditure incurred by NICSIs on bandwidth infrastructure of ₹ 26.46 crore<sup>68</sup>, was also largely infructuous.

## **4.2 Injudicious Cancellation of Tender**

### **Cancellation of tender by C-DAC at the insistence of MeitY and its subsequent retendering led to avoidable increase in project cost of ₹ 5.37 crore.**

Indian Computer Emergency Response Team (CERT In), Ministry of Electronics and Information Technology (MeitY) entered into a Memorandum of Understanding (MoU) with Centre for Development of Advanced Computing, Thiruvananthapuram

<sup>68</sup> GIA : ₹ 20.28 crore less ₹ 9.65 crore towards cost of HUB and supplies : ₹ 10.63 crore ; ACA : received by NICSIs ₹ 5.83 crore plus claims by NICSIs ₹ 10.00 crore: ₹ 15.83 crore: Total : ₹ 26.46 crore

(C-DAC-T) (November 2015) for implementing a project related to cyber-security<sup>69</sup>. Administrative approval for the project was issued on 01 December 2015 for ₹ 38.50 crore with project completion by 30 November 2016. Ministry released ₹ 35.00 crore in two tranches upto December 2017, to C-DAC-T for project execution.

C-DAC-T invited (January 2016) tenders for the project inter-alia covering supply, installation, implementation and commissioning of necessary hardware and software for the project. Four companies viz. M/s HCL Comnet Limited, M/s SIFY Technologies Limited, M/s Wipro Limited and M/s Dimension Data India Private Limited responded. The Project Technical Committee<sup>70</sup> did not accept the bid of M/s Dimension Data India Private Limited as they did not submit the Earnest Money Deposit (EMD) in the form of Demand Draft/ Bank Guarantee from a nationalized bank and short listed the remaining three vendors. The Commercial Bid Evaluation Committee for the project, provisionally identified (19 May 2016) M/s Wipro Limited with a quote of ₹ 25.93 crore as the L1 bidder.

After conclusion of all tender formalities, Ministry on the advice of its Integrated Finance Division (IFD), directed (June 2016) C-DAC-T to retender the project. This was done on the grounds that there were complaints about the tender process and as funds for the project were yet to be allotted by the Ministry of Finance (MoF).

The project was retendered by C-DAC-T in October 2016 and only two companies viz. M/s Wipro Limited and M/s Dimension Data India Private Limited participated in the tender. M/s Dimension Data India Private Limited emerged as the L1 bidder in the tender with a bid of ₹ 34.49 crore, and a Purchase Order (PO) was issued (March 2017) to it for executing the project. Audit noted that there was an increase of ₹ 8.56 crore (₹ 34.49 crore - ₹ 25.93 crore) in the lowest quoted cost of the project as compared to the original tender. After factoring the impact of changes in the quantities and items included in the PO (as compared to the original tender), the net increase in the cost of the project due to retendering worked out to ₹ 5.37 crore.

Based on an audit examination (August, 2018) of records relating to the project, the following were observed:

- a.** After the completion of technical evaluation and opening of commercial bids in the original tender, CERT-In submitted the status of the tender and certain issues raised by bidders/ Original Equipment Manufacturers (OEMs) in the original tender, for information to the Ministry (18 May 2016). The Ministry based on the advice of its IFD, sought retendering of the project on the ground that there were complaints with regard to the tendering process and also “to avoid legal complications at a future date”.
- b.** In response, C-DAC-T provided a detailed report on the complaints and explained the entire tendering process. All the issues raised in the complaints

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<sup>69</sup> Testbed for Cyber Threats and Situational Awareness Project (TSAP).

<sup>70</sup> Technical Committee comprised Scientist F (Chairman), Scientist E and Project Engineer and Representatives-Finance and Purchase (all from C-DAC) and Representative of CERT-In

were addressed and it was contended that the process had been conducted with transparency, fairness and equity and that all procedures had been followed. Director General, CERT-In endorsed the report in his submission to the Ministry (08 June 2016). IFD however, cited two new grounds viz. that there were complaints that technical specifications were changed after opening of the commercial bids and funds were yet to be allotted by MoF and reiterated its advice to retender the project.

- c. On the issue of technical specifications being changed post opening of commercial bids, DG, CERT-In clarified (11 July 2016) that no such changes had been made after bid submission. He intimated that none of the complaints received by C-DAC and CERT-In, are related to this aspect. The Ministry however, persisted with its decision based on the advice of IFD, to retender the project.
- d. While directing retendering of the project, the Ministry and IFD neither analysed the issues raised in various complaints nor the explanations provided by C-DAC-T and CERT-In. Instead, both its examination and conclusions were summary in nature, and primarily based on general concerns about violation of transparency and possible future legal complications. It was noted that though IFD had advised retendering at the initial stage, it had also flagged the non-availability of sufficient documentation for it to be able to appreciate the position of both CERT-In and the complainants. In addition, the clarification of CERT-In referred at 'c' above, was not accepted without assigning any reason.
- e. On the aspect of non-allotment of funds by MoF, it was observed that the Ministry had already released ₹ 15.00 crore for the project during December 2015 and provision for funds existed for cyber security in the Budget Estimates for 2016-17. The position with regard to allotment of funds had remained unchanged when the project was later retendered in October 2016.
- f. Retendering held within a period of seven months resulted in an increase in project cost by ₹ 5.37 crore though there was no difference between the two tenders except for inclusion of a few additional items in the second tender which has been netted out, to arrive at the cost increase.

On the above being pointed out by Audit, MeitY (February 2019) replied that the project was highly technical and complex and retendering had led to a better understanding of the requirements of the project by bidders. MeitY also cited issues flagged in two of the complaints with respect to tendering for the project, as a result of which the IFD had advised retendering to avoid future legal complications and for ensuring transparency.

The Ministry's reply is not acceptable as the Request for Proposal (RFP) for the project had been firmed up after taking into account queries and clarifications sought by the bidders during the pre-bid stage. Further, the Project Technical Evaluation Committee had held several meetings with the bidders for ensuring a better understanding of project

requirements. As such the reply that retendering resulted in better understanding of the requirement of TSAP by bidders is not acceptable, as even in the original tender process the concerned agencies had taken steps to ensure that all the bidders met Request for Proposal (RFP) requirements. As regards the complaints received on the tender process, both C-DAC-T and CERT-In had submitted explanations and details of steps taken to address issues raised in the complaints. The Ministry had also in its reply stated that in the original tender, GFR provisions had been complied with.

Thus, due to inadequate consideration of issues while examining complaints the Ministry took a summary decision to retender the project which led to an avoidable increase in project cost of ₹ 5.37 crore in comparison to the original tender. Further, an important project was delayed by three years from the original schedule and could be delivered to CERT-In only in April 2020.

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

**NIC State Centres at Patna, Jammu, Raipur and Delhi failed to bill the Public Sector Undertakings and Autonomous Bodies for web hosting charges resulting in non-recovery of ₹ 2.69 crore for the services rendered.**

National Informatics Centre (NIC) vide its Circular dated 12 February 2009 issued consolidated clarifications with respect to “NIC Paid Services” wherein Ministries/ Departments not to be charged<sup>71</sup> and Organisations to be charged for providing services were identified. In terms of the circular web hosting charges were to be recovered from Public Sector Undertakings (PSUs); Autonomous Bodies (ABs) not fully funded by Central/ State Government and Autonomous/ Statutory bodies under Central/ State Governments and Societies generating internal revenue apart from grants they receive. The circular also notified applicable charges for various services including web hosting charges, and procedure for billing and recovery of charges.

Audit examination of application of the above mentioned circular with respect to recovery of web-hosting charges was carried out in 21 out of 36 NIC State Centres across the country. This examination revealed that the State NIC Centres at Patna, Jammu, Raipur and Delhi had provided web hosting services to various PSUs and non-exempt ABs but did not raise bills for web hosting services provided resulting in non-recovery of these charges. Audit found that total amount recoverable amounted to ₹ 4.41 crore. A summary of state/ centre wise recoverable web hosting charges is given in **Table 4.3.1**.

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<sup>71</sup> Ministries/ Departments/ Attached Offices of Central Government, Subordinate Offices of Central Government having no source of income, Ministries/Departments and Offices of the State Government, Statutory bodies fully funded by the Central/State Governments with no internal revenue generation resources

**Table 4.3.1: Details of recoverable web hosting charges**

NIC State Centre		Period	Recoverable Amount (in ₹)
1	NIC, Patna	July 2009 to March 2019	13,26,919
2	NIC, Jammu	October 2003 to March 2019	23,71,500
3	NIC, Raipur	April 2008 to March 2019	44,26,344
4	NIC, Delhi	April 2014 to March 2019	3,59,40,748
<b>Total</b>			<b>4,40,65,511</b>

MeitY in its reply (May 2019) covering various State Centres mentioned above, stated that in the case of NIC Centres at Jammu and Raipur, the matter of payment for web services is being pursued with the concerned PSUs/ ABs. In the case of NIC, Delhi it has intimated that during 2014-15, NIC felt that its infrastructure was not sufficient to provide Information and Communication Technology (ICT) service support to PSUs and ABs and hence it had discontinued services for most PSUs from the NIC servers. It also intimated that on the basis of actual usage of services, NIC was in the process of recovery of charges for the services provided from the users as per the circular dated 12 February 2009. Subsequently, during an audit check in January 2020, Audit was informed that an amount of ₹ 1.72 crore had been recovered based on the audit observation.

Ministry's reply however, does not explain why the NIC Centres included in the Table above have not raised bills towards hosting charges despite clear instructions in the matter. Its explanation with respect to its Delhi Centre that it had discontinued web hosting services of most of the PSUs during 2014-15 is also not tenable as available data shows that these services were continued to 111 entities and no written orders had been issued for discontinuance of services. Audit also noted that though NIC has commenced the process of recovery at the instance of Audit, an amount of ₹ 1.87 crore remains unrecovered in its Delhi Centre. Other centres had also raised claims only after Audit had pointed out non-compliance of orders of NIC of 2009.

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

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

**Failure of NeGD to ensure adherence to Government of India instructions regarding release of print media advertisement through DAVP resulted in avoidable payment of ₹ 1.21 crore (₹ 1.06 crore agency commission plus ₹ 0.15 crore on service tax) to agencies other than DAVP.**

In terms of extant orders<sup>72</sup> of the Government of India, all Ministries/ Departments, Public Sector Undertakings (PSUs) and Autonomous Bodies (ABs) are mandated to

<sup>72</sup> New Advertisement Policy (June 2006) of DAVP subsequently revised in the Print media Advertising Policy (June 2016), Ministry of Information & Broadcasting order no. 1/9/2009-MUC

route all print media advertisements through the Directorate of Advertising and Visual Publicity (DAVP) under the Ministry of Information and Broadcasting for which 15 *per cent* agency commission is ploughed back to the Ministry/ Department concerned by DAVP.

Audit Scrutiny of records revealed that National e-Governance Division (NeGD), an independent business division under Digital India Corporation (a Public Sector Undertaking under MeitY), violated Government instructions and engaged agencies other than DAVP for placing advertisements during the period 2015-16 and 2016-17 resulting in avoidable expenditure of ₹ 1.21 crore (₹ 1.06 crore agency commission *plus* ₹ 0.15 crore on service tax).

MeitY (February 2019) stated that communication regarding launch of Digital India Week on 01 July 2015 was received only on 19 June 2015 and approval for release of advertisement was received on 26 June 2015. DAVP takes minimum five working days for submission of media plans and release of advertisements and there were less than five working days to the launch. Given the enormous volume of work and limited time available for carrying out these tasks, the work was entrusted to one agency. Ministry has further stated that since 2016 onwards, the Government orders have been fully complied and all newspaper advertisements have been routed through DAVP only.

The Ministry's reply is not convincing because of the following reasons:

- a. The detailed project report of the Digital India launch week was prepared in March 2015 and administrative approval for the event was given by the Ministry on 28 March 2015. Thus NeGD had more than three months to plan for the event.
- b. NeGD's reply that approval was received on 26 June 2015 is not tenable as it was merely an internal approval by CEO, NeGD as the administrative approval was given by the Ministry much earlier. Internal approvals/ procedures were required to be completed in time and release of advertisements could be ensured as per extant instructions through DAVP.
- c. Also, the communication regarding launch of the event on 01 July 2015 was received by NeGD on 19 June 2015. From 19 June 2015 to 01 July 2015, NeGD had seven clear working days to release the advertisement through DAVP.
- d. Ministry's reply that since 2016, instructions in this regard have been scrupulously followed is also not correct because it has been seen that subsequent to launch of digital India Week event during July 2015 to February 2017, NeGD has awarded the work of advertisements to agencies other than DAVP.

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dated 13 June 2013 and Cabinet Secretary D.O. letter no. 331/2/2/2014-CA III/CA V, dated 30 September 2016 to Secretary, Department of Electronics and Information Technology.

Thus, failure on the part of NeGD to release print advertisement through DAVP led to avoidable payment of ₹ 1.21 crore on agency commission including service tax thereon to private agencies.

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

**Irregular payment of ad-hoc bonus of ₹ 97.70 lakh by C-DAC to its employees for the years 2015-16 and 2016-17 without extension of the order by the Ministry of Finance for payment of ad-hoc bonus to Autonomous Bodies (ABs), needs to be recovered from the concerned employees.**

Every year the Ministry of Finance (MoF), Government of India, issues orders for payment of ad-hoc bonus to eligible Central Government employees. Further, separate orders were issued upto 2014-15, extending the payment of ad-hoc bonus to employees of ABs subject to conditions<sup>73</sup>. No orders were issued after 2014-15 extending payment of ad-hoc bonus to employees of ABs.

Center for Development of Advanced Computing (C-DAC) is an Autonomous Society, under the Ministry of Electronics and Information Technology (MeitY), Government of India. Audit scrutiny of records of 11 centres of C-DAC<sup>74</sup>, revealed that ad-hoc bonus of ₹ 97.70 lakh was disbursed to all the Group “B” and “C” employees of these centres for the years 2015-16 and 2016-17, even though no orders had been issued by MoF for payment of ad-hoc bonus to employees of ABs for these two years.

In its reply (September 2019/ September 2020), MeitY confirmed payment of ad-hoc bonus for the years 2015-16 and 2016-17, and stated that payments for subsequent years were withheld due to the audit observations. It justified the payments on the ground that as an Autonomous Society funded by the Government of India, ad-hoc bonus applicable to Government of India employees was adopted in terms of its bye-laws. It also *inter-alia*, stated that this payment to eligible employees were being made each year as a matter of practice and withdrawing the same could have caused employee unrest.

The reply of the Ministry is not acceptable as ad-hoc bonus was payable to employees of ABs like C-DAC, only based on the orders of MoF extending payments to employees of ABs. As no orders were issued for extending payment of ad-hoc bonus to ABs from 2015-16 onwards, payment by C-DAC was irregular. MoF has also confirmed (August 2020) that no order has been issued extending the payment of ad-hoc bonus to employees of ABs from 2015-16 onwards, and that such orders were not required as no decision had been taken to extend ad-hoc bonus to employees of ABs. Further, representations for payment of ad-hoc bonus received from employee federations, ICAR and Ministry of Health & Family Welfare by MoF, have not been agreed to by them.

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<sup>73</sup> ABs partly or fully funded by the Central Government which have a pay structure and emoluments identical to that of the Central Government and do not have any bonus, ex-gratia or incentive scheme in operation.

<sup>74</sup> C-DAC centres at Bengaluru, Chennai, Delhi, Noida, Hyderabad, Mohali, Kolkata, Silchar, Mumbai, Pune and Thiruvananthapuram.

It is also pointed out that most other similarly placed ABs under the same Ministry, did not make payments of ad-hoc bonus in the absence of specific orders of MoF. It was also noted that C-DAC had stated that it had sent a proposal for regularization to the Ministry. However, neither was any action taken to regularize the payment nor has any recovery been made.

Thus, payment of ad-hoc bonus of ₹ 97.70 lakh by C-DAC to its employees for the years 2015-16 and 2016-17 without extension of the order by the Ministry of Finance for payment of ad-hoc bonus to ABs, was irregular and needs to be recovered or regularized.



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**SECTION B**

**Public Sector Undertakings under  
Ministries**

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## Chapter-V

### Public Sector Undertakings under the Ministry of Communications

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

Absence of a documented comprehensive estate management policy and a dedicated administrative structure in ITI Limited to support Estate Management had adverse effects on key aspects such as maintenance and updation of land ownership records including mutation, utilisation and management of vacant land and leasing and transfer of land. This resulted in loss of revenue of ₹ 160.16 crore to the company.

##### 5.1.1 Introduction

ITI Ltd (the Company), previously known as Indian Telephone Industries has its Corporate Office and certain manufacturing facilities<sup>75</sup> at Bengaluru. The Company acquired approximately 496 acres of land between 1952 to 2002 from the Government of Karnataka<sup>76</sup> and other private parties at various places in Bengaluru. Of this, approximately 440 acres of land was in KR Puram (lease hold land), 55.48 acres in Electronics City (free hold land) and 0.776 acres in Magrath Road (free hold land).

Of the land holding at Bengaluru, National Highways Authority of India (NHAI) acquired 4.45 acres of land at KR Puram in 1996 and 1.375 acres of land at Electronic City in 2007-08. In addition, Bangalore Metro Rail Corporation Limited acquired 1.05 acres of land at Electronic City in 2017-18. Thus, a total of 489.006 acres of land valuing ₹ 6,402.12 crore<sup>77</sup> (as per guidance value on 31 March 2018), was available to the Company in Bengaluru. Details of the land holdings are given in **Table 5.1.1**.

**Table 5.1.1: Location wise land holdings of the Company in Bengaluru**

Location	Total Area	Own purpose	Leased / Transferred Land			Leased/ sold to other organizations but details not available	Under un-authorized occupation	Vacant land
			Transferred to other government entities but sale deed not executed	Leased with proper lease deed	Leased without a formal lease deed to other entities			
KR Puram	435.175	324.17	35.095	4.459	2.116	5.0	2.519	61.816 (14%)
Electronic City <sup>78</sup>	53.055	Nil	Nil	0.918	24.458	Nil	Nil	27.679 (52%)
Magrath Road	0.776	-	Nil	0.776	Nil	-	Nil	-
<b>Total</b>	<b>489.006<sup>79</sup></b>	<b>324.17</b>	<b>35.095<sup>80</sup></b>	<b>6.153</b>	<b>26.574<sup>81</sup></b>	<b>5.0<sup>82</sup></b>	<b>2.519<sup>83</sup></b>	<b>89.495 (18%)</b>

<sup>75</sup> ITI also has manufacturing facilities at Mankapur, Rae Bareli, Naini, Palakkad, and Srinagar and a country-wide network of marketing/ service outlets.

<sup>76</sup> Also erstwhile Government of Mysore.

<sup>77</sup> KR Puram 435.175 acres (439.625-4.45) @ ₹12.99 crore per acre = ₹5,652.92 crore, Electronic City 53.055 (55.48-1.375-1.05) acres @ ₹13.35 crore per acre = ₹708.28 crore, Magrath Road 0.776 acre @ ₹52.73 crore per acre = ₹40.92 crore, Total value of land = ₹5,652.92 + ₹708.28 + ₹40.92 = ₹6,402.12 crore

<sup>78</sup> The plant at Electronic City was not in operation since 2004 after it was merged with Bangalore plant.  
<sup>79</sup> 495.881 acres minus 4.45 acres and 1.375 acres acquired by NHAI minus 1.05 acres acquired by Bangalore Metropolitan Transport Corporation

<sup>80</sup> Defence Research and Development Organization (DRDO): 22.945 acres, Bangalore Metropolitan Transport Corporation (BMTCL): 12.15 acres.

<sup>81</sup> C-DoT: 24.458 acres, Southern Railway: 1.83 acres and ESIC: 0.286 acres.

<sup>82</sup> Karnataka Power Transmission Limited (KPTCL): 5.0 acre

<sup>83</sup> Brahuth Bangalore Mahanagara Palike (BBMP): 0.490 acres, LPG Equipment Research Centre: 0.122 acres, Employees State Insurance Corporation (ESIC): 0.057 acres, Bangalore Metropolitan Transport Corporation (BMTCL): 1.85 acres

Of 489 acres of land available with the Company, 324 acres was being used by the Company for own purpose and approximately 89 acres of land (18 *per cent*) valuing ₹ 1,172.50 crore<sup>84</sup> (as per guidance value on 31 March 2018) was vacant.

### **5.1.2 Audit Objective and Scope**

In view of the significant land holdings of the Company at Bengaluru both in terms of area and value, an audit was undertaken of records related to the management of estate and land holdings in Bengaluru covering the period 2014-15 to 2018-19. The audit was aimed at ascertaining whether the Company had a sound framework for estate management, and whether estate management ensured safeguarding of the Company's land resources and its efficient utilization.

### **5.1.3 Audit findings**

Key audit findings related to various aspects of land and estate management are detailed in subsequent paragraphs.

#### **5.1.3.1 Non-updation and non-availability of land records including mutation documents**

Audit undertook a review of land records maintained at the Bengaluru unit. In course of the review survey numbers mentioned in copies of title deeds/ award were compared with copies of the Right to Tenancy and Crops (RTC)<sup>85</sup> records. This showed that even though 50 years had elapsed since grant of initial parcels of land, steps were not taken to preserve and digitize the original documents of land holdings. It was also noted that the Company did not maintain updated records of the land/buildings in its possession, and clear title deeds to establish its ownership/title in respect of 60 acres of land in K.R. Puram, Bengaluru were not available with the Company.

The Company accepted the position (November 2018) and intimated that it had applied to the concerned authorities for updating the land records at Bengaluru and get a valid copy of the updated RTC. It also assured that it would update the records at the earliest and take up digitisation of records in due course. It later intimated (March 2020) that an Encumbrance Certificate for 368 acres of K.R. Puram land in name of ITI Ltd had been obtained on 04 February 2020. DoT accepted (September 2020) that some RTCs were still to be received/ updated in the name of the Company and that this matter was being pursued.

The adverse impact of absence of documents and non-updation of revenue records is evident from the case of delayed payment of compensation of ₹ 1.46 crore for acquisition of 1.375 acre of land by NHAI at Electronics City in 2007-08 from the Company. It was seen that for the acquisition of this land the Company could receive

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<sup>84</sup> KR Puram 61.816 acre @ ₹ 12.99 crore per acre = ₹ 802.99 crore, Electronic City 27.679 acre @ ₹ 13.35 crore per acre = ₹ 369.51 crore, Total value of vacant land = ₹ 802.99 + ₹ 369.51 = ₹ 1,172.50 crore

<sup>85</sup> This is an important Revenue record as it contains all possible data relating to lands held by an individual or group of individuals such as area, assessment, water rate, classification of soil, number of trees, nature of possession of the land, whether acquired by registered or unregistered document by succession, partition, mortgage, liabilities, tenancy and details of crops grown, land utilization, area under mixed crops, etc.

payment only on 06 February 2020, and that too at the instance of audit. This delay was on account of the fact that the acquired land continued to be in the names of the previous owners and revenue records had not been updated to reflect ownership of the Company. Thus, the Company could not submit the required legal documents to the revenue authorities till March 2018. This delay in receiving the cost of the land of more than 11 years led to loss of interest amounting to ₹ 0.96<sup>86</sup> crore.

Absence of updated revenue records with respect to the land held by the Company and inadequate preservation of such documents held by the Company, showed that the Company had not taken required measures to safeguard its land holdings from possible ownership disputes and encroachment. This could also hamper efforts to monetize the land holdings for resource mobilisation. It was also noted that the Company had initiated serious efforts in this regard only at the instance of audit.

### **5.1.3.2 Management of vacant land holdings in Bengaluru**

As mentioned earlier, the Company has a total of 89.495 acres of vacant land at KR Puram (61.816 acres) and Electronic City (27.679 acres) in Bengaluru (**Table 5.1.1**). The audit observations relating to management of vacant land is discussed below.

#### **(a) Unsuccessful monetization effort**

The Company is in the process of restructuring its business operations following reference to the Board for Industrial and Financial Reconstruction (BIFR) in 2004-05. In the revival plan for the company prepared in October 2003, the Company had envisaged monetisation of its surplus land which it requested (July 2006/ August 2006), the BIFR and DoT to approve. BIFR directed (December 2007) the Company to first obtain the approval of the administrative Department and secured creditors regarding sale of land. The matter of utilization of vacant land and buildings was taken up by the Board of the Company in 2008 which authorised the CMD to take up proposals for leasing out vacant land and buildings with the approval of DoT/ BIFR. However, it was only in 2015 that the Company took concrete steps on the issue of monetisation of its land assets by constituting (November 2015) an internal Monetisation Committee headed by a DGM level officer, to identify open spaces/ buildings for monetization.

The Monetisation Committee identified (December 2015) hangars/ buildings and open spaces in Bengaluru, which could be rented out immediately with minimum essential repairs. The identified land/ buildings had an area of 6,06,935.57 sq. ft. (i.e. 13.93 acres approximately, which was a mere 15 *per cent* of the total vacant estate) with an estimated rental income of ₹ 3.73 crore per month if these properties were to be rented out. The Board approved the proposal which was forwarded (March 2016) to DoT for its administrative approval.

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<sup>86</sup> The loss of interest has been calculated for ₹ 1.46 crore @ 6 *per cent* per annum for 11 years on conservative basis.

However, without waiting for DoT's approval the Company rented out (September 2018), 43,261 sq. ft.<sup>87</sup> (7.13 per cent) of this space on short term basis to two organisations viz. EPFO and HPCL. Audit observed that as against the estimated rent of ₹ 3.73 crore per month that Company could have earned by leasing out the entire identified space of 6,06,935.57 sq. ft., it could earn a revenue of only ₹ 11 lakh per month. This was far less than what the Monetisation Committee had recommended.

Audit also observed that the Company's proposal submitted to the DoT was not comprehensive. This was acknowledged by DoT (December 2018) in its reply. However, audit noted that DoT had not conveyed its response on the proposal even though three years had elapsed after receipt of the proposal. On its part the Company also did not follow up the case with DoT and instead went ahead with selective leasing out of properties. This is indicative of the fact that despite existence of vacant land and the Company's tenuous financial state, neither the Company nor DoT put in adequate effort for ensuring monetization of large tracts of unused land assets, though this was conceived way back in 2008.

DoT stated (September 2020) that the Company had submitted a plan for establishing an Electronics Manufacturing Cluster in 200 acres at Bengaluru, which was being processed for obtaining necessary approvals from Department of Investment and Public Asset Management (DIPAM). It also intimated that it was examining a proposal from the Company for selling 11 acres of land to EPFO to enable a possible reference to the Inter-Ministerial Group on "Asset Monetisation". No time frames were indicated for implementation of these proposals or the expected quantum of resources would these plans generate for the Company.

**(b) Non-utilisation of vacant land of ITI at Dooravani Nagar (KR Puram), Bengaluru**

The Standing Committee on Information Technology (2014-15) in its Ninth Report laid in Parliament in August 2015 on "Revival of Indian Telephones (ITI) Limited" had observed that out of the 63<sup>88</sup> acres land of the Company in Dooravani Nagar, Bengaluru, use of 52 acres of land had been converted from Industrial to Commercial. The Committee, taking note of the prime location of the land which could be used for SEZ and IT Companies, recommended that the Company should explore options for commercial development/use of the available land for generation of additional revenue.

In the Action Taken Report (August 2016) on the recommendations of the Standing Committee, DoT stated that the Company was exploring the option of utilization of the land for setting up of SEZ and IT companies. Audit however, observed that there was no progress made in this regard till October 2018. The Company intimated (December 2018) that the State Government's (June 2006) approval was conditional on

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<sup>87</sup> 20,400 sq. ft. of buildings/hangars leased to EPFO on 01 Dec 2017 for ₹ 7.57 lakh per month and 22,861 sq. ft. of open space to HPCL on 02 June 2017 (9,682 sq. ft. @ Ramamurthy Nagar- 'A' area and 13,179 sq. ft. at Corporate 'B' area) for ₹ 3.43 lakh per month.

<sup>88</sup> Out of this 1.05 acres were acquired by BMRC in 2017-18, leaving vacant land of 61.95 acres. Management has intimated that the exact vacant land in ITI's possession is 61.816 acres.

five acres of land being given to the City Municipal Council (CMC), KR Puram, and that it had asked the State Government for deletion of this condition.

In its latest reply, the Company has informed that it is now interested in expanding industrial activities on its vacant land instead of commercial activities. Accordingly, the 52 acres of land at Dooravani Nagar had been proposed to be included in its plan for establishing a manufacturing cluster in Bengaluru.

However, the fact remains that though change in land use had been approved way back in 2006, the Company was yet to ensure use of the vacant land at Doorvani Nagar for commercial/ industrial purposes. It had only belatedly, initiated a new plan as mentioned above for which no time frame for implementation has been indicated in the reply.

**(c) Non-finalisation of joint venture with the National Building Construction Corporation (NBCC) for developing land at Electronic City, Bengaluru**

The Company had entered (October 2016) into a MoU with NBCC for developing nearly 30 acres<sup>89</sup> of vacant land at the Electronic City, Bengaluru. NBCC was to undertake development of Electronic City land with the Company as a joint venture. As per projections made by NBCC, the project involved an investment of ₹ 780 crore (excluding land value) in developing a “Built-Up Area” (BUA) of 23.60 lakh sq. ft. The project was expected to be completed in seven years with 2017-18 as base year, and the investment recovered thereafter, in a span of three to four years.

Audit observed that the Detailed Project Report (DPR) for this project had not been approved by the Company even after a lapse of over two years (April 2019). DoT stated (November 2018) that following signing of the MOU between the Company and NBCC, it had advised the Company in December 2016 to float an EOI for preparing a DPR but no inputs had been received on further progress. It later intimated (April 2019) that implementation of the project was held up due to disagreement on the ratio of revenue sharing between NBCC and the Company, and that it was coordinating between the two parties for a proper resolution of the matter. In its latest reply (September 2020) DoT has intimated that the matter was not being pursued further as the negotiations were not in favour of the Company.

The above instances show that not only the Company and DoT have not taken steps to evolve an overall strategy for monetizing the considerable idle land holdings of the Company, but their specific initiatives with respect to land both at KR Nagar and Electronic City have also failed to fructify due to lack of concerted action both on the part of the DoT and the Company.

**5.1.3.3 Management of leased/ transferred land**

The Company had transferred or leased approximately 68 acres of land to other organizations. Issues relating to rent realization, and status of lease agreements are discussed in succeeding paragraphs.

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<sup>89</sup> Actual vacant land in possession of ITI Ltd. at Electronic City is 27.662 acres.

**(a) Transfer of land at Electronic City to C-DoT without finalization of rent agreement leading to non-realization of rent amounting to ₹ 149.28<sup>90</sup> crore**

C-DOT, an organization under DoT, had expressed (November 2004) its interest in purchasing a portion of the Company's land at Electronic City in Bengaluru to shift its laboratory. Till such time that valuation of the property identified for purchase was completed by DoT appointed officials, C-DOT requested the Company (December 2004) to hand over the property on rental basis. The Company intimated (December 2004) C-DOT that the rent payable shall be according to the prevailing market rates as mutually agreed between the two parties. Thereafter, the Company handed over 24.458 acres of land and 20,558.07 sq.mt of office space (located at Electronic City) to C-DOT in two phases between December 2004 and August 2005, without finalizing the rent.

After a series of discussions between the Company and C-DoT, it was decided (July 2017) that royalty of ₹ 22.79 crore payable by the Company to C-DOT for transfer of technology to it, would be set off against the rental payable by C-DOT to the Company. As per these discussions, the Company was to transfer the land to C-DOT against rentals that may be decided by DoT and they will not be charged any royalty and Transfer of Technology fee retrospectively, till the C-DOT is in possession of the Company's land. The Company was required to work out and communicate the long lease compensation expected from C-DOT.

The Company after engaging the services of a registered valuer to assess the market rent, communicated (February 2018) to the C-DOT rentals ranging between ₹ 1.48 crore to ₹ 2.46 crore per month for the leasing period of 30-35 years. However, the C-DOT claimed that the rental was on the higher side. The DoT stated (April 2019) that during a meeting held on 10 January 2019, both the organisations had been asked to arrive at a mutually agreed solution for long term lease of the property. No update on the status of the matter was provided by the Company (March 2020) while reiterating the position as above. In the meanwhile, as per the approved Annual Accounts of ITI for the year 2019-20, the rent receivable from C-DoT had accumulated to ₹ 149.28 crore as of March 2020. DoT stated (September 2020) that it had constituted a high level committee under the Chairmanship of Member (Services) to resolve the issue.

Thus, the Company handed over possession of its prime land and building to C-DoT without entering into any rent agreement. No lease agreement has been signed and no rent has been received even though the property was handed over to C-DoT in 2004-2005. This has led to accumulation of unpaid lease rent of ₹ 149.28 crore. The DoT also failed to effectively intervene between the two organisations under its administrative control to ensure that financial interests of the Company were not harmed.

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<sup>90</sup> As per a series of discussions between the Company and C-DOT (July 2017), the amount of rent receivable from the C-DoT stood at ₹ 171.95 crore. However, on conservative ground, amount of ₹ 149.28 crore has been taken as per the approved Annual Accounts for the year 2019-20.

**(b) Failure to execute lease of Building at Magrath Road, Bengaluru resulting into loss of rent amounting to ₹ 9.73 crore**

The Company entered (June 2005) into a lease agreement with HOSMAT Hospital for the lease of its premises<sup>91</sup> at Magrath Road for a period of five years commencing from 18 June 2005 to 17 June 2010. The lease was thereafter, renewed on short term basis for periods of two/ five years. It was noted that HOSMAT had requested (July 2015) for a long-term extension of lease so that the premises could be fruitfully used as a hospital which the Company did not agree to. HOSMAT hence, vacated (March 2016) the premises though its lease was until November 2017.

In the meantime, the Company had requested (October 2015) DoT to accord approval for a long term (20-25 years) lease so as to obtain better offers. DoT however, did not move/ process this proposal for approval of the competent authority in terms of extant procedure and reasons for not doing so were not available on record. Finally, the Company put the building on a short-term lease to a private party (June 2018) at a monthly rent of ₹ 25.76 lakh.

DoT stated (April 2019) that the Company had proactively given the property on a short-term leases and it could consider leasing for a longer term once the Company finalised its land use and “estate governance” policy.

The Company however, accepted (March 2020) that it had been unable to lease the building for over two years, and that it was compelled to lease the building at a lower rent as compared to HOSMAT Hospital, to avoid further loss of revenue. Audit calculated the loss of rent after vacation of the premises by the HOSMAT, to be more than ₹ 9.73<sup>92</sup> crore.

DoT stated (September 2020) that the Company had made all efforts to rent out the building by following the tendering process but was unable to rent out the building due to poor response. DoT accepted the fact that the building could not be leased out on rent from 08 April 2016 to 22 June 2018.

Thus, due to absence of a policy on estate management including for long term leasing of property, and delayed action on the part of both the Company and DoT, the Company suffered a loss of rent of over ₹ 9.73 crore.

**(c) Non- vacation of property leased to ESIC on expiry of lease leading to loss of rental revenue**

The Company leased (July 1986) 0.286 acre of land to ESIC for the purpose of construction of its local office for which a lease deed was executed for a period of 30 years with lease rental of ₹ 100 per annum. Audit observed that though the lease had expired in 2016, no fresh agreement was entered into with ESIC as the Company did not accept ESIC’s proposal for a 99 years lease. On the other hand, ESIC did not accept the Company’s demand (August 2017) for a monthly rental of ₹ 2.55 lakh. ESIC thus,

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<sup>91</sup> Building earlier used as Registered and Corporate office of ITI Ltd. It covered an area of 0.77 acres and building space of 68,700 sq. ft.

<sup>92</sup> ₹ 37.46 lakh per month \*26 months= ₹ 9.73 crore

continued to unauthorizedly occupy the property without a subsisting lease agreement. While DoT had earlier replied (April 2019) that eviction action has been taken by the Estate Officer of the Company, it has now (September 2020) intimated that ESIC has now agreed to enter into a fresh lease agreement for a period of four years 11 months at a monthly rental of ₹ 76,700.

Notwithstanding the development, the fact remains that Company had not taken any action against ESIC even though the initial agreement had expired three years ago. The Company initiated serious action to resolve the matter with ESIC only after being pointed out by Audit. In addition, the Company had not received any rental for the period following the expiry of lease which amounted to a loss of ₹ 1.15<sup>93</sup> crore. Moreover, the fresh lease agreement with ESIC was yet to be executed though more than four years had lapsed.

**(d) Transfer of land to Southern Railways without finalization of lease agreement**

The Company handed over (January 1982) 1.83 acres of land at KR Puram to Southern Railways (SR) without signing any lease agreement. Subsequently, (January 1984) it forwarded a draft lease agreement to SR for a period of 30 years at a monthly rental of ₹ 1,700. However, SR initially (January 1990) sought to purchase the said land, but later proposed (May 1990 & November 1991) a lease of 100 years on payment of a lump sum amount of ₹ 15,000. After deliberations, the Company informed (April 1993) SR that it would consider its request for sale of land subject to payment of lease rent of ₹ 1,700 per month till July 1991 and thereafter, at an enhanced rate of ₹ 6,500 per month, and payment of ₹ 2.00 lakh per acre as cost of land.

SR agreed (February 1994) in principle, to pay a compensation of ₹ 6,75,378 (including payment of lease rent up to December 1993, and the cost of land) as demanded by the Company, but the Company's Board did not decide upon the issue. Thereafter, from 1994 SR took no further steps in the matter and also did not pay the lease rent. The Company belatedly (November 2008) requested DoT to take up the issue with the Railway Ministry to resolve the long pending issue. DoT replied (September 2020) that the Company is pursuing with SR for signing of the lease agreement and recovery of outstanding dues.

The matter has remained unresolved (September 2020) for 38 years after the land was given to SR. In the intervening period the Company has been deprived of revenue from the land handed over to the SR. Thus, by handing over land to the SR without any lease agreement, and as a result of lack of timely action on the part of both the Company and DoT to resolve the matter, the Company not only suffered loss of revenue but has effectively been dispossessed of 1.83 acres of land.

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<sup>93</sup> ₹ 2.55 lakh per month\*45 months = ₹ 1.15 crore

**(e) Handing over of property to BMTC without DoT's approval and execution of a sale deed without ensuring receipt of sale consideration**

Prior to the Company being referred to BIFR, Bangalore Metropolitan Transport Corporation (BMTC), a Government of Karnataka (GoK) undertaking, had requested it (December 2003) to spare 27 acres of land in KR Puram for establishing a public conveyance infrastructure. The Company agreed for sale of 14 acres of its land at an agreed price of ₹ 27.50 lakh per acre and signed (February 2004) an MoU with the BMTC for the sale of the land and buildings at a total cost of ₹ 5.47 crore (Land: ₹ 3.85 crore and Building: ₹ 1.62 crore). The Company received ₹ 2.85 crore as advance in February 2004. The MoU stipulated that terms and conditions contained therein, was subject to the approval of the Board of the Company, its shareholders, Government of India (GoI) and GoK. It was also stipulated that permission from the bankers of the Company was also required. However, based only on the MoU and without approval of its Board and the GoI, the Company handed over 12.15 acres of the agreed 14 acres, along with buildings identified for sale in the MoU, to the BMTC.

In connection with the above transaction, Audit noted that Article 74(f) of Articles of Association of the Company stipulated that “prior approval of GoI was required for the sale of land having an original book value of ₹ 10 lakh and above”. In this case as book value of the assets including buildings (proposed for sale to BMTC) was ₹ 20.49 lakh, the Company was required to seek prior approval of sale from the DoT. Approval in this case had been sought in March 2004 i.e. after signing the MoU. However, no permission was given for the sale by DoT. Considering the developments, the Board of the Company in its 386<sup>th</sup> meeting held on 10 March 2010, directed the Management to negotiate with BMTC for a long-term lease. However, BMTC insisted for outright sale of the land.

The Company intimated that it was (March 2018) in discussions with BMTC for leasing the property but no settlement has been reached in this regard till date.

DoT accepted (February 2019) that the Company had entered into a MoU with BMTC and handed over the property without its concurrence/ approval at a rate below the market rate and had subsequently sought its post facto approval. DoT stated (April 2019) that once the Company concludes negotiations/ discussion for long term lease with BMTC, the case would be processed for formal approval of the Government. The Company has however, intimated (March 2020) that the matter with BMTC remains unresolved. DoT replied (September 2020) that though the Company had been advised (March 2019) to organise a joint meeting with BMTC to arrive at an amicable solution, it had not provided any updated status in the matter.

Thus, the Company has irregularly given up possession of 12.15 acres of land and buildings thereon, valuing ₹ 157.82 crore<sup>94</sup> to a State Government entity without DoT's approval, without execution of a sale deed and without ensuring receipt of full amount

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<sup>94</sup> KR Puram 12.15 acre @ ₹ 12.99 crore per acre=₹ 157.82 crore

of sale consideration. Further, there appears to be a lack of concerted action for more than a decade on the part of both the Company and DoT to resolve the matter.

**(f) Delay in executing sale deed for sale of land at KR Puram to DRDO in 2004**

The Company transferred 22.945 acres of its land at KR Puram to the Defence Research and Development Organization (DRDO) for a total agreed amount of ₹ 26 crore and received the entire amount as advance payment on 15 March 2004. However, the sale deed could not be executed as papers to prove ownership/ title for certain pockets of the land was not available with the Company. The Company got the required revenue documents in 2012 i.e. eight years after the agreement with DRDO and physical transfer of the land. However, as the Company was referred to BIFR, DoT directed (August 2013) that requisite clearance from BIFR for executing the sale deed be obtained. The Government subsequently approved a revival package for the Company in 2014. In the meantime, orders were issued mandating Government approval for sale of land and property even of PSUs. Hence, the Company sought DoT's approval for sale of land to DRDO which was still awaited (March 2020).

In the absence of required approval, though the Company had received the agreed sale value from the DRDO as per the MoU and handed over the land, it has not been able to execute the sale deed and register the sale in the name of DRDO. As a result, it would also be liable for payment of property taxes due on the property.

DoT replied (April 2019) that along with the Company it had put in all efforts for obtaining clearance for executing the sale deed in favour of DRDO and it expected that approvals would be obtained soon. The Company (March 2020) also confirmed that the property was yet to be registered in the name of DRDO despite the sale of the property. In its latest reply (September 2020) DoT stated that the matter is expected to be finalized as the case is being processed for seeking approval of the competent authority.

The case represents another instance of a land issue remaining unresolved for over 16 years, and where the transaction of sale of land was yet to be concluded though the land had been handed to the other party i.e. DRDO and full payment received. Besides, the disproportionately long time taken to process approvals, the root cause for the delay was the Company's inability to provide documents to prove their title over the land.

**5.1.3.4 Inadequate Estate Management Framework**

As land is a valuable resource and as the company had extensive land holdings, it was important for the company to have a comprehensive policy and procedures for Estate Management. Further, the Company also required a dedicated administrative structure for Estate Management at the Corporate level or/ and at the Unit level at Bengaluru with clear roles and responsibilities.

However, it was observed that the Company had not framed any comprehensive policy for estate management covering aspects such as land use, leasing and transfer of land. The Company thus continued to make discrete plans for utilization of the surplus land

and failed to manage leasing and transfer of land as would be evident from findings in aforesaid sub-paras.

Audit also noted that there was no dedicated administrative structure for estate management in the Company. It was only after this was flagged by Audit (June 2017) that an Estate Officer for the Bengaluru Unit was appointed (July 2017) and an Estate Officer was appointed (October 2019) at the Corporate level for all ITI properties. However, the duties assigned were general in nature and there was no formal document describing specific role and responsibilities of the Estate Officers.

DoT (September 2020) stated that an estate management policy has been prepared which will be implemented after approval, confirming that hitherto the Company did not have such a policy. The prolonged absence of a documented comprehensive estate management policy and a dedicated administrative structure to support this function has however, had adverse effects on key aspects such as maintenance and updation of land ownership records including mutation, utilisation and management of vacant land and leasing and transfer of land.

#### **5.1.4 Conclusion**

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. It also did 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 of approximately ₹ 1,172.50 crore, though it was faced with financial losses since 2003-04, and had been referred to BIFR in 2004-05. The faulty management of leases and transfers of land, resulted in transfer of property although 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.

#### **5.1.5 Audit Summation**

The review of Land & Estate Management of land holdings at Bengaluru of ITI Limited revealed the following:

- Though the Company had substantial land holdings it had not instituted an effective land management function and did not have complete and updated records for its land holdings.
- The Company was unable to commercially exploit its vacant land of 89.495 acres and vacant buildings and leverage the same to generate additional revenue of approximately ₹ 1,172.50 crore, though faced with financial losses.

- Leases and transfers of land were undertaken without agreements and without formal approvals, and leases were not extended 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.

#### **5.1.6 Recommendations**

- The Company put in place a comprehensive Estate Management Policy to be implemented by a dedicated administrative framework.
- Land records maintained in the Company be digitised for their preservation. All RTC and related records and lease deeds need to be updated in coordination with the local Revenue Authorities.
- The Estate Officer be specifically tasked with taking necessary action to enforce legal rights and agreements with agencies which have taken the Company's land on lease or are in adverse possession.
- The Company assess its requirement of land and identify surplus land which it can consider monetising for its financial benefit based on transparent land utilisation and disposal policy and a well-considered action plan.
- The Company take expedient steps to resolve matters relating to lease and transfer of land to other organisations and recover due rents or sale consideration and secure its rights on such land.
- DoT may consider undertaking a comprehensive examination of delays and shortcomings noticed in audit in taking various decisions relating to leasing and transfer of land; monetization of land assets and updation of land records and fix responsibility for the same.

#### **5.2 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.**

Bharat Sanchar Nigam Limited (BSNL) entered into Interconnect Agreements (agreements) with Aircel Group of Companies i.e. M/s Aircel Cellular Limited for four circles, M/s Aircel Limited for 17 Telecom circles and M/s Dishnet Wireless Limited for 25 circles. These agreements inter-alia, provided for interconnection between networks and carriage of telecommunication traffic between parties to the agreement.

The agreements also provided for levy of Interconnect Usage Charges (IUC)<sup>95</sup> and system of billing and payment of these charges along with consequential action in case of delays and default in making payments.

As per clause 7.2.1 of the Interconnect Agreement, BSNL would raise bills for IUC on a monthly basis and such bills would be payable by the respective Aircel Group Company within 15 days from the date of issue. Clause 7.4 of the Interconnect Agreement provided for obtaining a Bank Guarantee (BG) from the Aircel Group Company for amounts therein. If due payment was not received within the period stipulated, the concerned field unit of BSNL was required to immediately issue notice for disconnection giving 30 days for making payment failing which BSNL had the right to disconnect point of interconnection (POI) and encash the BG. Interest at rates specified in Clause 7.5 of the agreements, was applicable for delayed payments upto 30 days.

Audit of records relating to billing and payment of IUC revealed that arrears with respect to payments of IUC from the Aircel Group of Companies had accumulated to ₹ 97.38 crore<sup>96</sup> for the period upto 2017-18. This amount covered all the four circles in case of M/s Aircel Cellular Limited; 16 out of 17 circles in case of M/s Aircel Limited and 23 out of 25 circles in the case of M/s Dishnet Wireless Limited. BSNL initiated action to recover these arrears after a media report appeared on 28 February 2018 regarding the Aircel Group filing for bankruptcy. After adjusting the BG encashed by it and making other adjustments, the total dues outstanding against the Aircel Group stood at ₹ 51.83 crore<sup>97</sup>. BSNL has since (October 2018) filed claims for this amount against these companies with the concerned Interim Resolution Professionals (IRP).

Audit analysis of the outstanding dues show that out of these dues, ₹ 32.92 crore were outstanding for more than three months as on 31 March 2018. The oldest dues in case of M/s Aircel Limited was from March 2000; in case of M/s Dishnet Wireless Limited from April 2009 and in case of M/s Aircel Cellular Limited from August 2010. This shows that the field units of BSNL and the Revenue Management Branch-CFA at the Corporate Office which were responsible for issuing of IUC billing instructions and for monitoring realization of IUC revenues, had failed to enforce and monitor regular collection of dues as per agreement terms such as issue of 30 day notice for clearance of dues, encashment of BG and disconnection of POI. Instead, the Corporate Office of BSNL initiated action for recovering dues only once it became known that the Aircel Group had filed for bankruptcy.

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<sup>95</sup> Clause 6.3 details various charges such as set up cost, port charges, infrastructure use charges, access charges and value added service charges.

<sup>96</sup> ₹ 12.60 crore from M/s Aircel Cellular Limited *plus* ₹ 36.73 crore from M/s Dishnet Wireless Limited *plus* ₹ 48.05 crore from M/s Aircel Limited.

<sup>97</sup> ₹ 12.26 crore from M/s Aircel Cellular Limited *plus* ₹ 20.57 crore from M/s Dishnet Wireless Limited *plus* ₹ 19.00 crore from M/s Aircel Limited. Out of this ₹ 1.43 crore for M/s Aircel Cellular Limited, ₹ 3.90 crore from M/s Dishnet Wireless Limited and ₹ 2.10 crore from M/s Aircel Limited was stated to be disputed.

As mentioned above, the agreement required the Aircel Group of Companies to furnish BGs for each area of operation/ Circle, which from the second year onwards would be equal to the average bill for three months issued during the previous year for a Circle. This implied that BSNL Circles should have monitored collection of IUC dues and ensured that arrears do not accumulate beyond the BG amount. This would have been ensured if BGs were promptly invoked on expiry of the one month notice period in case of delayed payments. The accumulation of arrears shows that delays and defaults in payments were not being addressed in terms of the agreement and recoveries were not being made by encashing the BGs.

Audit also noted that though instructions were belatedly given for encashing BGs, BSNL Circles could only encash BGs amounting to ₹ 13.70<sup>98</sup> crore covering only one out of the four circles for M/s Aircel Cellular Limited, 12 of the 23 circles for of M/s Dishnet Wireless Ltd, and nine out of 16 circles in case of M/s Aircel Limited. In all other circles the BGs had either expired or were inadequate to cover the outstanding liability.

In its reply, DoT (December 2019) has confirmed the figures relating to the gross amount of dues, BGs adjusted and net outstanding amount receivable from Aircel Group of Companies. It however, stated that BSNL had taken immediate action after media reports (28 February 2018) relating to bankruptcy of Aircel Group had appeared, by issuing instructions for encashment of available BGs. This reply is not acceptable as it does not explain BSNL's failure to monitor the receipt of IUC charges and take timely action in terms of the agreements to ensure prompt recovery of dues. This amounted to undue favour by allowing the arrears to accumulate making the BGs insufficient to cover the dues.

Thus, failure of both the Corporate Office of BSNL and its field units to take timely action to enforce payment of IUC dues by Aircel Group of Companies in terms of the agreements, led to accumulation of dues of ₹ 51.83 crore. Though BSNL has filed claims before the competent forum, the prospect of recovery of these dues would be limited as BSNL being an operational creditor, would have lower priority placing the Company at a higher risk of loss of revenue. It is recommended that DoT may pursue all modes of recovery of unpaid dues, and also investigate the failure on the part of the concerned divisions at the Corporate Office of BSNL and its field units, for enforcing payment of IUC dues as per agreement and fix responsibility for the same.

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<sup>98</sup> Bank Guarantees encashed: M/s Aircel Cellular Limited : ₹ 0.07 crore; M/s Dishnet Wireless Ltd. : ₹ 6.71 crore; and M/s Aircel Limited: ₹ 6.92 crore.

### 5.3 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 ₹ 1.16 crore was yet to be recovered.**

BSNL, Corporate Office, New Delhi entered into a Master Services Agreement (MSA) for Passive Infrastructure Sharing with a private service provider (PSP) in May 2014, for sharing its Passive Telecom infrastructure.

In terms of Clause 1.1 and 1.4 of Schedule 3 of the MSA with the PSP, the base monthly rental rates fixed for passive infrastructure provisioning fee was ₹ 38,700, and for sharing of Ground Base Tower and Roof Top Tower it was ₹ 24,900. These rates were valid for a period of ten years from the commencement date of the MSA and was subject to an annual escalation of 2.5 *per cent* on year-on-year basis. The base rates would be valid for the current financial year and would thereafter be revised on first April, every year by adding 2.5 *per cent* escalation on year-on-year basis. The rates worked out on first April of each year would remain valid for the corresponding financial year for all the sites leased out during that financial year.

Audit scrutiny (December 2017-October 2018) of billing relating to infrastructure sharing eleven BSNL Circles<sup>99</sup> and Calcutta Telecom District revealed that in the case of the PSP, Ready for Installation of Equipment (RFIE) date/ commencement date was adopted for applying the annual escalation, instead of date specified in the MSA which was first April each year. By adopting an incorrect date for applying annual escalation eleven BSNL circles and Calcutta Telecom District short-billed the PSP by ₹ 13.65 crore (**Annexure 5.3.1**) during the period 2014-15 to 2018-19. While ₹ 12.49 crore was recovered from the PSP at the instance of audit, ₹ 1.16 crore was yet to be recovered (December 2019).

DoT, in its reply, gave details of action taken by the concerned circles to recover the short-billed amounts. However, it did not explain the reasons for failure across a large number of circles and over almost four years, to ensure compliance with agreement conditions for billing for shared infrastructure for several years which is indicative of an internal control failure.

Thus, failure to comply with agreement conditions for application of annual escalation while calculating monthly rentals for sharing Passive Telecom Infrastructure in case of a Private Service Provider (PSP), led to short-billing over a period of four years by eleven circles and Calcutta Telecom District of BSNL, of ₹ 13.65 crore which is indicative of inadequate internal controls. While ₹ 12.49 crore has been recovered from

<sup>99</sup> Karnataka, Andhra Pradesh, Telangana, Uttar Pradesh (East), Uttar Pradesh (West), Uttarakhand, Kerala, Gujarat, Jammu & Kashmir, Odisha, Madhya Pradesh

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the PSP at the instance of audit, ₹ 1.16 crore was yet to be recovered. BSNL should ensure full recovery and take immediate steps to strengthen internal controls besides examining the reasons for the non-compliance of the agreement conditions.

## Chapter-VI

### Public Sector Undertakings under the Ministry of Electronics and Information Technology

#### 6.1 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.**

National Informatics Centre Service Inc. (NICSI) was established in 1995 as a Section-8<sup>100</sup> Company under Ministry of Electronics and Information Technology<sup>101</sup> (MeitY) for providing and procuring Information and Technology (IT) solutions for e-governance projects undertaken by National Informatics Centre (NIC), MeitY and other Government Departments and organisations (viz. PSUs, ABs etc.). Rule 160 of General Financial Rules 2005 (GFR 2005) stipulates that all government purchases should be made in transparent, competitive and fair manner so as to secure best value for money. Rule 141A was inserted in GFR with effect from 09 August 2016 to provide for procurement on “Government e-Marketplace” (GeM) which has been established as a portal for online procurement of common use Goods and Services required by various Government Departments/ Organizations/ Public Sector Undertakings. Rule 149 of GFR 2005 gives the three standard methods of obtaining bids for procurement including “Single tender enquiry”. Rule 154 *ibid*, gives the circumstances in which procurement from a single source can be resorted. These include cases where only a particular firm is the manufacturer of the required goods, and/ or for standardization of machinery or spare parts based on advice of a competent technical expert and approval of the competent authority. These purchases have to be supported by a “Proprietary Article Certificate” in prescribed format provided by the Ministry/Department.

In 2005, NICSI felt the need for having “Strategic Alliances (SAs)” directly with Original Equipment Manufacturers (OEMs) for procurement of strategic items<sup>102</sup> to reduce end cost of products. Subsequently, the Board of Directors of NICSI<sup>103</sup> approved both the process and mechanism for entering into agreements for SAs. Following these approvals, the NICSI has been entering into SAs agreements with OEMs/ authorized agents for procurement of ICT products based on laid down criteria. In December 2013, the NICSI board approved several measures to streamline the system of SAs such as introduction of technical and financial evaluation of proposals of OEMs, limiting the

<sup>100</sup> Section 8 Company is registered under Section 8 of the Companies Act, 2013, and was previously known as Section 25 Company under the Companies Act, 1956. Such companies are registered for charitable and not-for-profit purposes.

<sup>101</sup> Earlier Department Electronics and Information Technology (DeiTY) under Ministry of Communications and IT.

<sup>102</sup> Proprietary and specialised items.

<sup>103</sup> The Board of Directors of NICSI, in its 47<sup>th</sup> Meeting held on 21 December 2005, approved the SA process and in the 48<sup>th</sup> meeting held on 27 March 2006, it approved its mechanism.

number of SAs and adopting more GFR compliant processes. In June 2014, MeitY issued instructions that SAs fully comply with GFR and other relevant rules.

As procurement through Strategic Alliances was not covered by any rule/ order issued by the Government, NICSII in its 88<sup>th</sup> BoD meeting (September 2014) decided to send a proposal through MeitY, to the Department of Expenditure (DoE) for inclusion of Strategic Alliance as a process of procurement and providing of ICT goods and services (including solutions) in GFR 2005. DoE while not specifically allowing incorporation of SAs in GFR, conveyed (August-2015) that they have no objection if NICSII enters into Strategic Alliance under Rule 154 of GFR 2005 subject to the condition that before placement of each order, Propriety Article Certificate (PAC) as per Rule 154 is provided by the Ministry/ Department. The IFD of MeitY was of the view that this implied that before issuing a PAC, the user Department would have to satisfy itself that the indented ICT goods and services does not have any other competing brand or supplier, which would make the concept of SAs unworkable. It therefore, advised the Company to carefully examine the response of DoE before its formal adoption as a process of procurement. Nevertheless, NICSII construed the communication from DoE as approval for the system of SAs provided procurement was undertaken on the basis of PACs, and decided to continue with the system.

Audit noted that during the period from April 2014 to April 2017, NICSII procured hardware and software costing ₹ 890.34 crore (**Annexure 6.1.1**) for user Departments through the SA route. These included procurement of Back-Up Servers; Routers; Switches; Anti-Virus solutions; network security etc. Prior to September 2015, NICSII had been making procurements using SAs based on the approval of its Board but without obtaining any PACs. This was in contravention of Rule 154 of GFR, 2005 and MeitY's subsequent instructions of June 2014.

From September 2015 i.e. after receiving advice of the DoE, NICSII began obtaining PACs for purchases made from a single source. However, a test check revealed that these were being furnished and used without mentioning clear, specific and cogent reasons as per the format prescribed in GFR, for procurement through a single source. There was also no indication that the PAC had been issued based on advice of any technical expert. Further, reports of the Consultant engaged for market survey indicated the existence of multiple vendors/ sources for each and every item. The main intent was thus, to only show perfunctory compliance with GFRs and DoE's instructions on obtaining PACs for procurements through SAs.

NICSII/ MeitY in its replies (March 2017, October 2018 and September 2019) gave details of the rationale and the chronology for adoption of the SA route. It highlighted that after receiving the advice of DoE, it has been making such procurements on the basis of PACs in terms of Rule 154 of GFRs. It intimated that procurement of goods and services through Strategic Alliance was only 25 *per cent* of the total procurement made by NICSII and that the total value of common items was not more than 15 *per cent* of the total value of the procurement made through SA. It further added that SAs have been discontinued from April 2017.

The reply of MeitY that it was making procurements on behalf of the user Departments does not hold good as it was required to observe all rules/ orders of GoI and be GFR compliant which was clearly stipulated by MeitY in its orders of June 2014. Further, prior to receipt of DoE's advice in August 2015, PACs were not being obtained for procurements under SA route which amounted to non-compliance with Rule 154 of GFRs. Though NICS I has claimed that it was subsequently procuring goods and services from single source only after obtaining PAC, a test check of PACs showed that due diligence was still wanting both while furnishing and accepting PACs. Further, MeitY has itself admitted (September 2019) that common items worth ₹ 133.55 crore<sup>104</sup> were procured under Strategic Alliance though these could have been procured through rate contracts or open bids.

Thus, NICS I undertook single source procurement through SA route to the extent of 25 *per cent* of its total procurement between April 2014 and April 2017. Procurements prior to September 2015 using this route were not in accordance with Rule 154 of GFR and procurements, thereafter, were undertaken based on PACs that were found to lack required details in test checked cases. Following audit objections, the practice of SAs was stopped by the Company after April 2017 but it was not specified why it was being continued earlier in contravention of GFRs.

**New Delhi**  
**Dated: 22 March 2021**

  
(MANISH KUMAR)  
Director General of Audit  
Finance & Communication

*Countersigned*

**New Delhi**  
**Dated: 24 March 2021**

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

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<sup>104</sup> 15 *per cent* of the total value of the procurement of ₹ 890.34 crore made till April 2017 through SA.



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**APPENDICES  
AND  
ANNEXURES**

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**Appendix- I (Refer to Paragraph 1.10)**

**Summarised position of Action Taken Notes  
awaited from Departments under Ministry of Communications (MoC)  
and Ministry of Electronics & Information Technology (MeitY) as of March 2019**

Number and year of Audit Report		ATN Due	Not received at all	Under correspondence
<b>Ministry of Communications</b>				
<b>Department of Posts</b>				
1	21 of 2018	2	0	2
	<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Department of Telecommunications</b>				
1	4 of 2016	30	Nil	30
2	11 of 2017	6	Nil	6
3	35 of 2017	5	Nil	5
4	21 of 2018	1	1	Nil
	<b>Total</b>	<b>42</b>	<b>1</b>	<b>41</b>
<b>Ministry of Electronics and Information Technology</b>				
Nil				
<b>Grand Total</b>		<b>44</b>	<b>1</b>	<b>43</b>

*Appendix-II (Refer to Paragraph 1.11)*

**Summarised position of Action Taken Notes awaited from Public Sector Undertakings under MoC and MeitY as of March 2019**

Number and year of Audit Report		ATN Due	Not received at all	Under correspondence
<b>Ministry of Communications</b>				
<b>Bharat Sanchar Nigam Limited</b>				
1	6 of 2000	2	Nil	2
2	6 of 2001	2	Nil	2
3	6 of 2002	1	Nil	1
4	5 of 2003	4	Nil	4
5	5 of 2004	3	Nil	3
6	5 of 2005	2	Nil	2
7	9 of 2006 (PA)	2	Nil	2
8	13 of 2006	5	Nil	5
9	10 of 2007 (PA)	1	Nil	1
10	12 of 2007	8	Nil	8
11	PA 9 of 2008	1	Nil	1
12	CA 10 of 2008	1	Nil	1
13	CA 12 of 2008	7	Nil	7
14	9 of 2009-10	1	Nil	1
15	CA 25 of 2009	4	Nil	4
16	PA 27 of 2009	1	Nil	1
17	10 of 2010-11 (PA)	1	Nil	1
18	3 of 2011-12	4	Nil	4
19	8 of 2012-13	3	Nil	3
20	17 of 2014	4	Nil	4
21	20 of 2015	5	Nil	5
22	55 of 2015	4	Nil	4
23	29 of 2016	3	Nil	3
24	21 of 2017	1	Nil	1
25	21 of 2018	1	1	0
<b>Total</b>		<b>71</b>	<b>1</b>	<b>70</b>
<b>Mahanagar Telephone Nigam Limited</b>				
1	3 of 1997	1	Nil	1
2	3 of 1999	1	Nil	1
3	5 of 2004	1	Nil	1
4	11 of 2006	1	Nil	1
5	13 of 2006	1	Nil	1

Number and year of Audit Report		ATN Due	Not received at all	Under correspondence
6	10 (PA) of 2007	1	Nil	1
7	12 of 2007	1	Nil	1
8	CA 12 of 2008	1	Nil	1
9	25 of 2009-10	1	Nil	1
10	17 of 2014	1	Nil	1
11	21 of 2017	2	Nil	2
<b>Total</b>		<b>12</b>	<b>0</b>	<b>12</b>
<b>ITI Limited</b>				
1	5 of 2004	2	Nil	2
2	13 of 2006	2	Nil	1
3	10 of 2007	2	Nil	2
4	12 of 2007	1	Nil	3
5	12 of 2008	3	Nil	2
6	25 of 2009	1	Nil	1
<b>Total</b>		<b>11</b>	<b>0</b>	<b>11</b>
<b>Ministry of Electronics and Information Technology</b>				
<b>National Informatics Centre Services Inc.</b>				
1	21 of 2017	1	Nil	1
2	55 of 2015	1	Nil	1
<b>Total</b>		<b>2</b>	<b>0</b>	<b>2</b>
<b>Grand Total</b>		<b>96</b>	<b>1</b>	<b>95</b>

## Annexure- 3.1.1

(Refer to Paragraph 3.1)

## Statement Showing the Details of Wages Paid to Casual Labourers/ Mazdoors without a Valid Agreement/ Contracts During the Years 2016-17 to 2018-19 in Department of Posts

(₹ in Crore)

Circle		Period	Name of the Units Test checked	Amount of wages paid
1	Bihar	2016-17 to 2018-19	RMS PT Dn, Patna, HPO Chapra, SSPO Chapra, CPMG Patna and DAP Patna	7.09
2	Delhi	2016-17 to 2018-19 (07/2018)	O/o GM(Finance)	0.55
3	Gujarat	2016-17 to 2018-19	O/o GM(F), SSRM and NSH, Ahmedabad	2.89
4	Himachal Pradesh	2016-17 to 2018-19	RMS HP Dn, Mandi	0.70
5	Jharkhand	2016-17 to 2018-19	GPO Ranchi, Ranchi RMS Division, HPO Dhanbad and Dhanbad RMS Division	3.43
6	Kerala	2016-17 to 2018-19	RMS 'EK' Division, Ernakulam, HPO-Ernakulam, RMS'TV' Division Thiruvananthapuram, SSPO North Division Thiruvananthapuram, GPO Thiruvananthapuram, RMS 'CT' Division Kozikode, SSPO Kozikode and HPO Kozikode	36.24
7	Madhya Pradesh	2016-17 to 2018-19	GPO Bhopal, CTT Bhopal and HPO Piplani	1.27
8	Maharashtra (Mumbai)	2016-17 to 2018-19	HPO-Kalyan, Kalyan BPC and Kalyan RMS	3.59
	Maharashtra	2016-17 to 2018-19	SSPO, Nagpur MFL Dn, SSPO Nagpur City Dn and SRM RMS 'F' Dn Nagpur	11.42
9	Odisha	2016-17 to 2017-18	GPO-Bhubaneswar and RMS'N' Division-Cuttack	3.01
10	Rajasthan	2016-17 to 2018-19	RMS JP Dn Jaipur	1.23
11	Tamilnadu	2016-17 to 2018-19 (01/2017 to 02/2019)	SSRM 'M' Division - Chennai	2.12
12	Telangana	2016-17 TO 2018-19	RMS 'Z' Dn, Hyderabad, RMS Hyderabad, Khairatabad HPO and GPO Hyderabad	2.58
13	Uttar Pradesh	2016-17 to 2018-19	HPO Noida, RMS Bareilly, GPO Lucknow, HPO Kanpur, RMS Jhansi and HPO Chowk Lucknow	6.22
14	West Bengal	2016-17 to 2018-19 (12/2018)	GM(F), WB Circle Kolkata and CPMG, WB Circle, Kolkata	3.32
15	Haryana	2016-17 to 2018-19	O/o Superintendent RMS HR Division, Ambala	0.86
16	Punjab	2016-17 to 2018-19	O/o Superintendent RMS I Division, Jalandhar	1.04
17	J&K	2016-17 to 2018-19	O/o Superintendent RMS J&K Division, Jammu	0.07
18	Karnataka	2016-17 to 2018-19	SK and NK Region Karnataka	8.31
<b>Total</b>				<b>95.94</b>

## Annexure- 3.3.1

(Refer to Paragraph 3.3)

Statement Showing the details of Non-recovery of Construction Workers Welfare Cess in Department of Posts  
During the years 2014-15 to 2018-19

(₹ in lakh)

Postal Circle		State Government Notification Date	Period	Recovery of Cess Due
1	Karnataka	11-01-2006	2014-15 to 2018-19 (upto 1/19)	57.91
2	Odisha	12-15-2008	2017-18	2.99
3	West Bengal	11-14-2011	2017-18	8.00
4	Uttar Pradesh	02-04-2009	2014-15 to 2017-18	30.44
5	Mumbai	02-05-2007	2014-15 to 2017-18	31.02
6	Maharashtra		2014-15 to 2017-18	15.18
7	Bihar & Jharkhand	09-03-2005	2014-15 to 2017-18	47.84
<b>Total</b>				<b>193.38</b>

Annexure- 3.5.1

(Refer to Paragraph 3.5)

Statement Showing details of Remotely Managed Franking Machines (RMFMs) lying idle in the circles without utilisation

Circles		RMFM procured	Total cost (₹)	Make	Period of procurement	RMFM unutilised	Cost of RMFM lying unutilised (₹)
1	Andhra Pradesh	22	28,34,897.00	M/s FRAMA SYSTEMS INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-14	17	22,19,059.00
2	Delhi	28	61,18,907.00	M/s.KORES INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-15	16	22,26,017.00
3	Haryana	2	6,93,200.00	M/s. NEOPOST INDIA PVT LTD	2013-14	1	1,19,356.00
4	Himachal Pradesh	4	4,26,091.00	M/s FRAMA SYSTEMS INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-15	3	3,37,069.00
5	Maharashtra	30	42,67,570.00	M/s PITNY BOWES INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-14	2	2,37,391.00
	Mumbai & Goa	27	38,67,476.00	M/s PITNY BOWES INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-14	25	35,59,653.00
6	Punjab	10	15,13,970.00	M/s PITNY BOWES INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-15	7	10,11,787.00
7	Telangana	24	37,13,016.00	M/s FRAMA SYSTEMS INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2013-14	24	37,13,016.00
8	Rajasthan	12	16,80,334.00	M/s. NEOPOST INDIA PVT LTD	2013-14	9	13,00,558.00
<b>Total</b>		<b>159</b>	<b>2,51,15,461.00</b>			<b>104</b>	<b>1,47,23,906.00</b>

## Annexure- 3.5.2

(Refer to Paragraph 3.5)

## Statement Showing Details of expenditure incurred on hired Remotely Managed Franking Machines

Circles		RMFMs hired	Make	Period of hire	Total charged paid on hiring (₹ in Crore)
1	Andhra Pradesh	8	M/s. NEOPOST INDIA PVT LTD	2014-15 to 2018-19	0.49
2	Maharashtra	35	M/s PITNY BOWES INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2016-17 to 2018-19 (Upto 12/18)	3.53
3	Telangana	11	M/s FRAMA SYSTEMS INDIA PVT LTD & M/s. NEOPOST INDIA PVT LTD	2014-15 to 2018-19	2.47
4	Haryana	2	M/s. NEOPOST INDIA PVT LTD	2018-19	0.05
5	Punjab	3	M/s. NEOPOST INDIA PVT LTD	2015-16 to 2018-19	0.44
6	Delhi	12	M/s. NEOPOST INDIA PVT LTD	Nov. 2012 to 2018-19	3.53
7	Rajasthan	3	M/s. NEOPOST INDIA PVT LTD	2014-15 to 2018-19	0.86
<b>Total</b>					<b>11.37</b>

Annexure- 5.3.1

(Refer to Paragraph 5.3)

Statement Showing Short Billing of Annual Escalation Charges

(₹ in Crore)

Circle		Bill Period	Short billing amount	Amount Recovered by BSNL at the instance of Audit
1	Karnataka	April-15 to January -18	6.41	6.41
2	Andhra Pradesh	2015-16 to July 2018	1.64	1.64
3	Telangana	2015-16 to July 2018	1.44	1.44
4	UP(East)	April-16 to March-18	0.18	0.18
5	UP(West)	September 2014 to January 2018	0.14	outstanding
6	Uttarakhand	May 2016 to Oct 2018	1.02	outstanding
7	Kerala	October 2014 to October 2018	2.27	2.27
8	Gujarat	2015-16 to 2017-18	0.21	0.21
9	Jammu and Kashmir	2015-16 to 2017-18	0.03	0.03
10	Odisha	2014-15 to October 2018	0.07	0.07
11	Madhya Pradesh	2015-16 to November 2018	0.16	0.16
12	Calcutta Telecom District	2015-16 to 2017-18	0.08	0.08
<b>Total</b>			<b>13.65</b>	<b>12.49</b>

Annexure- 6.1.1

(Refer to Paragraph 6.1)

Statement Showing the details of irregular procurement of hardware/ software items by NICSI

(₹ in Crore)

Period		Value of Work Orders
1.	2014-15	299.48
2.	2015-16	146.27
3.	2016-17 (upto November 2016)	289.89
4.	2016-17 (December 2016 to March 2017)	112.49
5.	April 2017	42.21
<b>Total</b>		<b>890.34</b>

## Glossary of Terms and abbreviations

ABs	Autonomous Bodies
AGR	Adjusted Gross Revenue
AT	Acceptance Testing
ATN	Action Taken Notes
AUA	Authentication User Agency
BBNL	Bharat Broadband Network Limited
BG	Bank Guarantee
BIFR	Board for Industrial and Financial Reconstruction
BMTC	Bangalore Metropolitan Transport Corporation
BOCWWC	Building and Other Construction Workers' Welfare Cess
BSC	Base Station Controller
BSNL	Bharat Sanchar Nigam Limited
BTS	Base Transceiver Station
BUA	Built-Up Area
CABs	Conformance Assessment Bodies
CAPEX	Claim Capital Expenditure
CCAs	Controller of Communications Accounts
C-DAC	Centre for Development of Advanced Computing
C-DoT	Centre for Development of Telematics
CERT-In	Indian Computer Emergency Response Team
CGA	Controller General of Accounts
CMC	City Municipal Council
CPE	Customer-Premises Equipment
CRA	Central Record Keeping Agency
CSC	Common Service Centres
CSRF	Common Subscriber Registration Form
DAVP	Directorate of Advertising and Visual Publicity
DBFOT	Design, Build, Finance, Operate and Transfer
DDO	Drawing and Disbursing Officer
DeitY	Department of Electronics & Information Technology
DFR	Draft Feasibility Report
DGS&D	Directorate General of Supplies and Disposals
DIPAM	Department of Investment and Public Asset Management
DMA	Designated Monitoring Agency
DoP	Department of Posts
DoT	Department of Telecommunications
DPR	Detailed Project Report

DUT	Device Under Test
EMF	Electromagnetic Field
FTTH	Fibre To The Home
FY	Financial Year
GeM	Government E-Marketplace
GPs	Gram Panchayats
GR	Gross Revenue
GSM	Global System for Mobile Communications
I&B	Ministry of Information and Broadcasting
ICNIRP	International Commission on Non-Ionization Radiation Protection
ICT	Information And Communication Technology
ILAC	International Laboratory Accreditation Corporation
ILD	International Long Distance
IPPB	India Post Payments Bank Limited
IRP	Interim Resolution Professionals
ISP-IT	Internet Service Provider-IT
ITI	Indian Telephone Industries Limited
KUA	E-KYC User Agency
LAN	Local Area Network
LF	License Fee
LSA	Licensed Service Area
LWE	Left Wing Extremism
MeitY	Ministry of Electronics & Information Technology
MERC	Maharashtra Electricity Regulatory Commission
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoC	Ministry of Communications
MoRD	Ministry of Rural Development
MoU	Memorandum Of Understanding
MPRDC	Madhya Pradesh Road Development Corporation Limited
MSA	Master Services Agreement
MSEDCL	Maharashtra State Electricity Distribution Co. Ltd.
MTCTE	Mandatory Testing And Certification Of Telecom Equipment
MTL	Millennium Telecom Limited
MTNL	Mahanagar Telephone Nigam Limited
NeGD	National E-Governance Division
NGN	Next Generation Network
NHAI	National Highways Authority Of India

NIC	National Informatics Centre
NICF	National Institute Of Communication Finance
NICSI	National Informatics Centre Services Inc
NIT	Notice Inviting Tender
NLD	National Long Distance
NOC	Network Operating Centre
NOFM	National Optical Fibre Network Project
NPCI	National Payments Corporation Of India
NPS	New Pension Scheme
NTI	National Telecommunications Institute
NTP	National Telecom Policy
O&M	Operation And Maintenance
OEMs	Original Equipment Manufacturers
OPEX	Operational Expenditure
PAC	Public Accounts Committee
PBC	Pre-Bid Conference
PE	Project Estimate
PE	Project Estimate
PFMS	Public Financial Management System
PFDA	Pension Fund Regulatory And Development Authority
PLI	Postal Life Insurance
PMU	Project Monitoring Unit
POI	Point Of Interconnection
PRAN	Permanent Retirement Account Number
PSP	Private Service Providers
PSUs	Public Sector Undertakings
PTM	Private Telecom Manufacturer
RFIE	Ready For Installation of Equipment
RFP	Request For Proposal
RG	Residential Gateways
RICT	Rural Information Communication Technology
RJIO	Reliance Jio Infocomm Ltd
RMFS	Remotely Managed Franking System
RPLI	Rural Postal Life Insurance
SAR	Specification Absorption Rate
SAs	Strategic Alliances
SFC	Standing Finance Committee
SPs	Service Providers

SPV	Special Purpose Vehicle
STL	Sterlite Technology Limited
STQC	Standardisation, Testing And Quality Certification Directorate
TCIL	Telecommunications Consultants India Limited
TCL	Tata Communication Ltd
TDSAT	Telecommunications Dispute Settlement And Appellate Tribunal
TEC	Telecom Engineering Centre
TERM	Telecom Enforcement and Resource Monitoring
TIDCO	Tamil Nadu Industrial Development Corporation Limited
ToT	Transfer of Technology
TRAI	Telecom Regulatory Authority Of India
TTL	Tamil Nadu Telecommunications Limited
UAL	Universal Access Levy
UID	Unique Identification Numbers
UIDAI	Unique Identification Authority Of India
USO	Universal Service Obligation
USOF	Universal Service Obligation Fund
VNL	Vihaan Networks Limited
WLL	Wireless In Local Loop
WPC	Wireless Planning And Coordination Wings





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