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Report of the Comptroller and Auditor General of India for the year ended March 2016

Union Government (Ministry of Communications and Ministry of Electronics & Information Technology)

Report No. 21 of 2017

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Comptroller and Auditor General
of India

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PREFACE

This Report for the year ended March 2016 has been prepared for submission to the President under Article 151 of the Constitution of India; Chapter IV of the Report which pertains 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 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports.

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

OVERVIEW

This Report contains significant audit findings which arose from the Compliance Audit of the Ministry of Communications (MoC) and Ministry of Electronics & Information Technology (MeitY) and the Departments/Public Sector Undertakings under these Ministries. It contains four chapters. Chapter I gives audited entity profile, analysis of expenditure, financial performance of the Ministry/departments and Follow up on Audit Reports. Chapters II, III and IV respectively relate to the audit findings/observations arising from audit of Department of Posts under MoC, MeitY and Public Sector Undertakings under these Ministries.

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

Chapter- II Ministry of Communications -Department of Posts (DoP)

Functioning of Mail Motor Service in DoP – Follow up Audit

Para 3.1 of Report No. 2 of 2003 on the Functioning of Mail Motor Service (MMS) pointed out that prescribed norms of daily coverage and deployment, non-disposal of condemned vehicles, etc. were not being adhered to. Ministry in their Action Taken Note (ATN) had stated that suitable instructions had been issued to strictly follow the guidelines. Despite the assurances given in the ATN, the irregularities were still persisting which goes to show that remedial and corrective measures had not been fully implemented. There were repetitive instances of non-adherence of the prescribed norms of daily coverage and deployment, absence of norms to control fuel consumption, continued deployment of condemned vehicles for want of timely replacement, omissions and deficiencies in maintenance of proforma accounts, etc. Further, out of the 795 Global Positioning System (GPS) procured for installation in the MMS vehicles, 457 devices were not functioning.

(Paragraph 2.1)

Irregular parking of funds and consequential loss of interest

Director of Accounts (Postal), Cuttack did not claim interest of ₹ 64.07 crore from State Bank of India for delay in remittance of Government money. Besides, ₹ 485.61 crore was allowed to be irregularly retained in a current account opened in violation of RBI guidelines.

(Paragraph 2.2)

Loss of Revenue on Non-Registered Newspapers

Newspapers not registered with Registrar of Newspapers in India were irregularly allowed to avail of concessional tariff which resulted in loss of revenue of ₹ 2.45 crore in four Postal Circles viz. Karnataka, Maharashtra, Tamil Nadu and Gujarat even after assurances given by DoP in April 2013.

(*Paragraph 2.3*)

Chapter- III Ministry of Electronics and Information Technology (MeitY)

Locking up of funds and unfruitful forex outgo

Non-compliance with provisions of General Financial Rules while releasing Grant-in-Aid of ₹ 53.91crore to Kerala Medical Services Corporation Limited and Geo Spatial Delhi Limited coupled with inadequate monitoring of the projects resulted in delay in completion of the projects, blocking of funds and unfruitful foreign exchange outgo towards interest and commitment fee to the tune of ₹ 2.62 crore.

(*Paragraph 3.1*)

Chapter-IV Public Sector Undertakings under the Ministries

Ministry of Communications

Performance Audit on Wireline Broadband Services in Bharat Sanchar Nigam Limited

The Company, despite having 50 *per cent* of its wireline broadband capacity lying unutilized, went into unwarranted augmentation of capacity. In procurement, there were instances of non-ensuring of supplies in a timely manner, extending undue favour to vendors, etc. As regards compliance with Telecom Regulatory Authority of India (TRAI) parameters on Quality of Services (QoS), there was scope for further improvement on part of the Company. Issues relating to maintenance of the broadband equipment such as delay in entering into Annual Maintenance Contract (AMC), non-levy of penalty on defaulting vendors, etc. hampering quality of broadband services were also noticed. Inspite of the fact that Broadband being a prominent segment, the Company did not specifically focus on promotion and marketing of broadband services. Despite identifying the reasons for heavy disconnections through a survey, the company failed to address the causes and prevent further disconnections. There were indications to show that the tariff planning was not aligned to consumer behaviour and extant guidelines of the Company which may lead not only to non-retention of existing consumers but also non-expansion of existing consumer base. The social objective of providing broadband connections in rural areas and colleges under various Government schemes were also not met.

(Paragraph 4.1)

Ministry of Electronics and Information Technology

Unfruitful expenditure of ₹ 15.54 crore on hiring of building and interior fit-outs

Due to awarding the work without following the due procedures and its subsequent cancellation, delay in submission of layout plans to Delhi Metro Rail Corporation (DMRC) and delay in approval of plans by DMRC, the building hired by National Informatics Centre Services Inc. could not be put to gainful use. As a result, the expenditure of ₹ 15.54 crore on payment of rent till December 2016 was rendered unfruitful.

(*Paragraph 4.4*)

CHAPTER-I
INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General (C&AG) of India relates to matters arising from Compliance Audit of the financial transactions of the Ministry of Communications (MoC) and Ministry of Electronics & Information Technology (MeitY)[1] under the Government of India including Departments/Public Sector Undertakings (PSUs) under the administrative control of these Ministries for the year ended 31 March 2016.

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

1.2 Authority for Audit

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

1.3 Planning and conduct of Audit

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

[1] On 19 July 2016, the Department of Electronics and Information Technology (DeitY) was made into full-fledged ministry, which is now known as the Ministry of Electronics and Information Technology (MeitY), bifurcating it from the Ministry of Communications and Information Technology

[2] Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts

[3] Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State

Profile of Audited Entities

1.4 Ministry of Communications

1.4.1 Department of Telecommunications (DoT)

The Department of Telecommunications (DoT) is responsible[4] for policy formulation, performance review, monitoring, international cooperation and Research & Development 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 cities and telecom circles as per the approved policy of the Government.

➢ Analysis of Expenditure

The comparative position of revenue and expenditure of DoT during 2015-16 and in the preceding four years is given in the table below:

Table-1
Revenue and Expenditure of DoT

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue	17,400.92	18,902.00	40,113.76	30,624.18	55,129.10
Expenditure	8,692.16	9,273.38	10,835.57	13,026.14	23,584.81

(Source: Appropriation and Finance Accounts of DoT)

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

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

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
License Fee	11,790.93	11,456.48	14,628.47	12,358.29	15,771.27
Spectrum Usage Charges	5,192.30	5,679.19	6,883.67	1,7841.93[5]	36,486.91
Auction Revenue	-	1,722.24	18,267.18	-	-

(Source: Annual Report of DoT)

➢ Brief Profile of the Telecom Sector

Telecommunications has evolved as one of the critical components of economic growth required for the overall socio economic development of the country. The telecom sector witnessed phenomenal growth during the past decade. During the period from 2011-12 to 2015-16, the number of telephone subscribers increased from 951.34 million to 1,059.33 million. The status of overall growth for the year 2011-12 to 2015-16 in the telecom sector is given below:

[4] Annual Report of DoT for the year 2015-16

[5] The Spectrum Usage Charges of ₹ 17,841.93 crore include Auction Fee also.

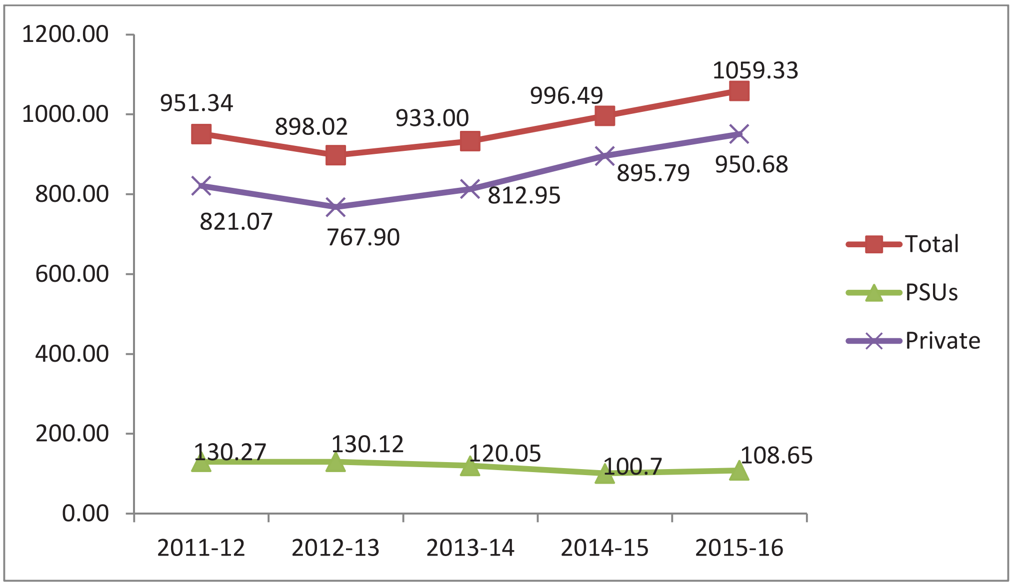
Table-3
Status of Growth in the Telecom Sector

Year	Subscribers (In Millions)					Teledensity (In percentage)		
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban
2011-12	951.34	330.82	620.52	32.17	919.17	78.66	39.22	169.55
2012-13	898.02	349.22	548.80	30.21	867.81	73.32	41.02	146.96
2013-14	933.00	377.74	555.26	28.49	904.51	75.23	43.96	145.78
2014-15	996.49	419.31	577.18	26.60	969.89	79.38	48.37	148.61
2015-16	1,059.33	447.77	611.56	25.22	1034.11	83.40	51.26	154.18

(Source: Annual Reports of Telecom Regulatory Authority of India (TRAI))

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

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



(Source: Annual Reports of TRAI)

As is evident from the above graph, the subscriber base of Private Telecom Companies is significant in comparison to Public Sector Telecom Companies. During the last five years, the subscriber base of PSUs reduced by 16.60 *per cent* whereas subscribers of private companies increased by 13.63 *per cent*.

➢ Regulatory Framework of the sector

Telecom Regulatory Authority of India (TRAI)

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

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

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

Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT)

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

- **Important DoT Units**

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

➢ Universal Service Obligation Fund (USOF)

To give impetus to rural telephony, Government of India constituted a Universal Service Obligation Fund (USOF) by an Act of Parliament w.e.f. 01 April 2002. The resources for meeting the Universal Service Obligation (USO) were to be raised through a Universal Access Levy (UAL) as a percentage of revenue earned by all operators under various licences. As per Para 9B of the Indian Telegraph Act, 2003, the sums of money received towards USOF shall be first credited to Consolidated Fund of India and the Central Government may, if the Parliament 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 ₹ 75,952.93 crore was collected by DoT as USO levy upto 31 March 2016 and credited to Consolidated Fund of India. However, out of this amount, only ₹ 30,083.47 crore was received by DoT through appropriation by Parliament and credited to USO Fund as of 31 March 2016. 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.

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

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

Bharat Sanchar Nigam Limited

Bharat Sanchar Nigam Limited (BSNL), fully owned by Government of India, formed in October 2000, provides telecom services across the length and breadth of the country excluding Delhi and Mumbai. BSNL is a technology oriented company and provides various types of telecom services namely telephone services on landline, Wireless in Local Loop (WLL) and Global System for Mobile Communications (GSM), Broadband, Internet, Leased Circuits and Long Distance Telecom Service. The Company's total revenue during the year 2015-16 was ₹ 32,918.70 crore and it incurred a loss of ₹ 3,879.92 crore.

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

Table-4
Performance of BSNL during last three years

Year	Revenue	Expenditure	Subscriber base		
			Wireline	Wireless	Total
	(₹ in crore)		(In crore)		
2013-14	27,996.35	34,929.60	1.85	9.47	11.32
2014-15	28,645.20	37,292.10	1.64	7.72	9.36
2015-16	32,918.70	36,742.72	1.48	8.68	10.16

An analysis of the above data reveals that the revenue of the company has shown an increasing trend during the last three years and expenditure has also reduced in

2015-16 as compared to the last year. Further, during 2015-16 the subscriber base of both wireline and wireless consumers has reduced as compared to 2013-14.

Mahanagar Telephone Nigam Limited

Mahanagar Telephone Nigam Limited (MTNL) was set up in 1986, under the Companies Act, 1956 as a wholly owned Government Company and is responsible for the control, management and operation of telecommunications networks in Delhi and Mumbai. MTNL is the principal provider of fixed line telecommunication service and GSM mobile services in these two metropolitan cities. MTNL is also providing 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 2015-16 was ₹ 3,512.71crore and it incurred a loss of ₹ 2,005.74 crore.

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

Table-5
Performance of MTNL during last three years

Year	Revenue	Expenditure	Subscriber base		
			Wireline	Wireless	Total
	(₹ in crore)		(In crore)		
2013-14	3,787.37	6,870.41	0.35	0.34	0.69
2014-15	3,821.06	6,723.48	0.36	0.35	0.71
2015-16	3,512.71	6,351.19	0.35	0.36	0.71

The revenue of the company reduced during the year 2015-16 when compared to 2014-15. The expenditure showed a downward trend during the period from 2013-14 to 2015-16. The subscriber base of wireline and wireless consumer more or less remained the same.

Millennium Telecom Limited (MTL)

Millennium Telecom Limited (MTL) was formed as wholly owned subsidiary company of Mahanagar Telephone Nigam Limited (MTNL) in the year 2000 for setting up submarine cable project and to provide IT solutions. The Company's total revenue was ₹ 1.80 crore and it earned a profit of ₹ 0.29 crore during the year 2015-16.

Indian Telephone Industries Limited (ITI)

ITI is India's pioneering venture in the field of telecommunications. ITI started its operations in Bengaluru in 1948, which were further extended to other areas by setting up manufacturing plants at Srinagar in Jammu and Kashmir, Naini, Rae Bareli and Mankapur in Uttar Pradesh and Palakkad in Kerala. The Company's total revenue during the year 2015-16 was ₹ 1674.92 crore and it earned a profit of ₹ 251.18 crore.

Telecommunications Consultants India Limited (TCIL)

Telecommunications Consultants India Limited (TCIL), fully owned by Government of India, was set-up in 1978 with the main objective of providing world class technology in all the fields of telecommunications and information technology, to excel in its operations in the overseas and domestic markets by developing proper marketing strategies and to acquire state-of-the-art technology. The Company's total revenue during the year 2015-16 was ₹ 1358.21 crore and it earned a profit of ₹ 36.52 crore.

Tamilnadu Telecommunications Limited (TTL)

Tamilnadu Telecommunications Limited was incorporated in 1988 as a three way joint venture of TCIL (49 *per cent*), Tamilnadu Industrial Development Corporation Limited (TIDCO) (14.63 *per cent*) and Fujikura Limited of Japan (7.18 *per cent*). The rest are held by banks and financial institutions, private trust, 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 2015-16 was ₹ 4.19 crore and it incurred a loss of ₹ 15.95 crore.

Intelligent Communications Systems India Limited (ICSIL)

Intelligent Communications Systems India Limited (ICSIL) was incorporated in 1987 as a joint venture of TCIL and Delhi State Industrial and Infrastructure Development Corporation (DSIIDC), an undertaking of Delhi Government, where TCIL has 36 *per cent* shareholding and DSIIDC has 40 *per cent* shareholding. The company is engaged in trading of hardware items such as computer/telecom/IT equipment of reputed brands. It also supplies manpower to various organizations and provides education through licensees under individual agreements with each one of them. It also undertakes annual maintenance contracts of hardware items. The Company's total revenue during 2015-16 was ₹ 114.58 crore and it earned a profit of ₹ 3.20 crore.

TCIL-Bina Toll Road Limited

TCIL-Bina Toll Road Limited is a fully held subsidiary of TCIL and was incorporated in 2012. This company was created with the objective of execution of Infrastructural Project viz. the Toll Road Project between Bina and Kurwai Town in the State of Madhya Pradesh, India on design, build, finance, operate and transfer (DBFOT) basis. The company started its commercial operation in April 2014. The Company's total revenue during the year 2015-16 was ₹ 4.85 crore and it incurred a loss of ₹ 10.43 crore.

TCIL-Lakhnadone Toll Road Limited

TCIL-Lakhnadone Toll Road Limited, a fully held subsidiary of Telecommunications Consultants India Limited (TCIL) was incorporated in 2013. It's a Special Purpose Vehicle created with an objective of executing the Concessionaire Agreement with Madhya Pradesh Road Development Corporation Limited (MPRDC) for the development of Lakhnadone Toll Road Project. Concessionaire agreement with MPRDC was entered into by TCIL in September 2011and a tripartite agreement was entered into between TCIL, MPRDC and the Company in August 2014 to substitute the name of TCIL with that of the Company. Further, TCIL would work as a supporting organization till completion of the project and hand it over to the Company. The company has not started earning revenue as the construction of toll road is not complete but has incurred a loss of ₹ 0.04 crore during 2015-16.

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 ₹ 13.31 crore and it incurred a loss of ₹ 8.43 crore during the year 2015-16.

Hemisphere Properties India Limited (HPIL)

Hemisphere Properties India Limited (HPIL), a public limited company was incorporated in 2005 and became a Government company from 18 March 2014. The company was incorporated pursuant to clause 7.10 of Share Purchase Agreement and 4.7 of Share Holders Agreement executed on 13 February 2002 between the Government of India and M/s PanatoneFinvest Limited and other Tata Group companies wherein the surplus land identified at the time of disinvestment of Videsh Sanchar Nigam Limited (VSNL) was to be demerged into the Company. Government of India owns 51.12 *per cent* equity shares through Department of Telecommunications and remaining are owned by M/s. Tata Capital Limited and Af-taab Investment Company Limited. The paid up share capital of the company is ₹ 5.00 lakh. The company earned a revenue of ₹ 6.38 lakh during the year 2015-16 and has an accumulated loss of ₹ 0.21 lakh.

1.4.3 Department of Posts (DoP)

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

Financial Performance

The earnings of the Department are in the form of 'Revenue Receipts' and 'Recoveries[6]'. The revenue receipts, recoveries and revenue expenditure of DoP for the years 2011-12 to 2015-16 are shown in the table below:

Table-6
Revenue receipts and Revenue expenditure of DoP

(₹ in crore)

Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2011-12	7,899.35	458.64	14,163.91	5,805.92
2012-13	9,366.50	688.77	15,481.15	5,425.88
2013-14	10,730.42	593.19	16,796.71	5,473.10
2014-15	11,635.98	661.98	18,556.56	6,258.60
2015-16	12,939.79	707.70	19,654.67	6,007.18

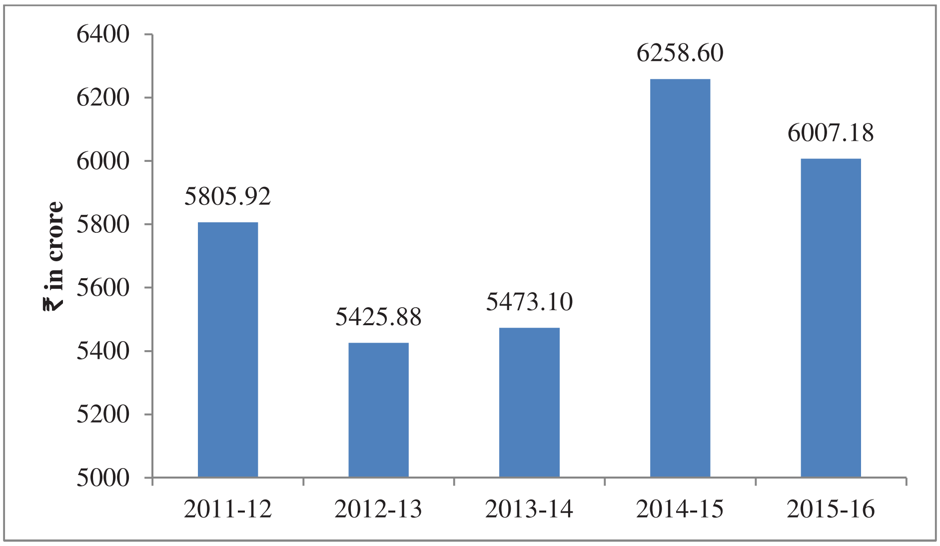
(Source: Appropriation Accounts of DoP)

There was a deficit of ₹ 6,007.18 crore on postal services[7] in 2015-16. The main reason for the deficit as attributed by the Department was increase in Working Expenses due to increased expenditure under salary, domestic travel expenses, office expenses, professional services and other charges, etc. The comparative position of deficit in postal services during the period from 2011-12 to 2015-16 is as under:

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

[7] Deficit was calculated as the difference between revenue receipts plus recoveries and revenue expenditure, i.e., {(₹ 12,939.79+ ₹ 707.70) - ₹ 19,654.67}

Deficit in Postal Services



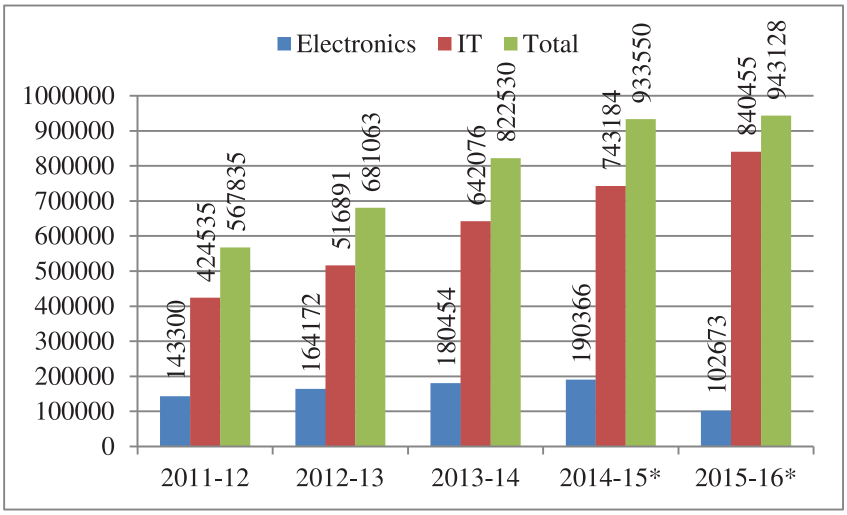
1.5 Ministry of Electronics and Information Technology (MeitY)

MeitY plays an important role in the development of Electronics and Information Technology sector. The vision of MeitY is e-Development of India as the engine for transition into a developed nation and an empowered society.

The Indian IT industry has been contributing substantially to India's GDP, exports and employment. Production and growth of Indian Electronics and IT-ITeS (Information Technology Enabled Services) industry from 2011-12 to 2015-16 is given in the chart below:

Electronics and IT production

(₹ in crore)



(Source: Annual Report of MeitY)

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

The main reason for sustained overall growth of the Electronics and IT-ITeS industry as considered by the department is relatively higher growth in software and services which are largely export driven and also dominate the electronics and IT sector.

In order to carry out its functions, MeitY is provided with budgetary support in the form of Grants from the Government of India. The Grants received vis-à-vis Expenditure incurred by MeitY during the period from 2011-12 to 2015-16 is given in the table below.

Table-7
Grants vis-à-vis expenditure

(₹ in crore)

Year	Amount of Grant	Total Expenditure
2011-12	3,048	2,074
2012-13	3,051	1,903
2013-14	3,052	2,166
2014-15	3,929	3,583
2015-16	2,759	2,594
Total	**15,839**	**12,320**

(Source: Appropriation Accounts of MeitY)

There are five organizations[8] and seven Autonomous Societies[9] under MeitY in addition to two attached offices viz. National Informatics Centre (NIC) and Standardisation, Testing and Quality Certification Directorate (STQC).

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.

Standardisation, Testing and Quality Certification Directorate (STQC)

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

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

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

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

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

Media Lab Asia

Media Lab Asia is a 'not for profit' company set up under Section 25 of the Companies Act, 1956 with an objective to bring the benefits of ICT to the common man. The application areas of Media Lab Asia include use of ICT for Healthcare, Education, Livelihood and Empowerment of Disabled. It is a Company which is limited by guarantee and does not have any share capital. It's Audit is entrusted to C&AG under the provisions of sections 143(5) and 143(6) of Companies Act, 2013. The company works with leading institutions for undertaking development work. The Company earned ₹ 67.64 crore during 2014-15 out of which ₹ 67.59 crore was received through Grant-in-aid. Accounts for 2015-16 have not been received yet (March 2017).

National Informatics Centre Services Inc. (NICSI)

National Informatics Centre Services Inc. (NICSI) was set up in 1995 under Section 25 of the Companies Act, 1956 under National Informatics Centre to provide total IT solutions to the Government organizations. The main objectives of NICSI are to provide economic, scientific, technological, social and cultural development of India by promoting utilization of Information Technology. The Company's total revenue was ₹ 929.99 crore and surplus after tax during the year 2015-16 was ₹ 68.72 crore.

1.6 Budget and Expenditure Controls

A summary of Appropriation Accounts for 2015-16 in respect of DoT, DoP and MeitY is given in Table 8:

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

(₹ in crore)

Sl. No.	Ministry/Department	Grant/Appropriation (including supplementary grant)	Total Expenditure	(-) Savings/ (+) Excess
1.	Department of Telecommunications	23,643.37	23,584.81	(-) 58.56
2.	Department of Posts	20,532.66	19,989.84	(-) 542.82
3.	Ministry of Electronics and Information Technology	2,759.01	2,594.19	(-) 164.82

(Source: Appropriation Accounts of the Departments for 2015-16)

1.7 Follow up on Audit Reports-(Civil)

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

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

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

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Communications & IT) up to the year 2016 revealed that ATNs in respect of 51 paragraphs relating to two departments viz., DoP & DoT under MoC and MeitY, were pending as of March 2017, as detailed in the ***Appendix-I***.

1.8 Follow up on Audit Reports - (Commercial)

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

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

- Setting up of a monitoring cell in each Ministry for monitoring the submission of Action Taken Notes (ATNs) in respect of Audit Reports (Commercial) on individual Public Sector Undertakings (PSUs);

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

While reviewing the follow up action taken by the Government on the above recommendations, the COPU in its First Report (1999-2000-Thirteenth Lok Sabha) reiterated its earlier recommendations that the DPE should set up a separate monitoring cell in the DPE itself to monitor the follow-up action taken by various Ministries/Departments on the observations contained in the Audit Reports (Commercial) on individual undertakings. Accordingly, a monitoring cell 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 2016 revealed that ATNs in respect of 96 paragraphs were pending as of March 2017 of which ATNs on 3 paragraphs were not received at all, as detailed in the ***Appendix-II***.

CHAPTER-II
DEPARTMENT OF POSTS

2.1 Functioning of Mail Motor Service in DoP – Follow up Audit

2.1.1 Introduction

The Postal network of the country is divided into 22 Postal Circles for administrative convenience. The Department has created one more new Postal Circle named "Telangana Postal Circle" which is co-terminus with the State of Telangana. With the creation of Telangana Circle, the number of the Postal Circles is now 23.

Mail Motor Service (MMS) in Department of Post (DoP) came into existence in 1944. The functions of MMS include pick-up and transportation of mail, conveyance of mail bags between Post Offices, Railway Mail Services (RMS) Offices, Transit Mail Offices (TMOs), Railway Stations, Air Mail Sorting Offices and Sea Ports and conveyances of cash in addition to Logistic Posts services in selected cities.

The MMS wing of DoP is responsible for operation and maintenance of 1309 Mail Motor vehicles, out of which, 224 are CNG propelled environment friendly vans operating in Mumbai, Delhi and Ahmedabad. There are 91 MMS units throughout the country to operate the fleet of Mail Motor vehicles out of which 17 MMS units are having full-fledged workshops.

Comparative statistics of mail traffic handled during 2015-16 as compared to the previous years is given in Table-1 below.

Table – 1

(Number in crore)

Article	2012-13	2013-14	2014-15	2015-16
Postcards	114.54	113.67	194.58	104.70
Letters	349.93	351.22	264.89	370.40
Registered Newspapers	47.83	49.01	49.13	50.24
Parcels	9.36	9.49	10.44	11.17
Packets	83.88	85.43	83.41	87.53
Total	**605.54**	**608.82**	**602.45**	**624.04**

The Heads of the Circles concerned allot funds under each head of operation to each Mail Motor Service unit. Details of the Budget provision and expenditure in respect of all the units during the three-year period ending 31 March 2016 are shown in the **Table:-2** below**:**

Table: 2
Statement showing Budget provision and expenditure details

(₹ in crore)

Year	Budget Provision		Actual Expenditure		Excess/Saving(-)	
	Capital	Revenue	Capital	Revenue	Capital	Revenue
2013-14	4.48	97.92	9.45	109.17	4.97	11.25
2014-15	2.03	120.12	5.60	117.18	3.57	-2.94
2015-16	19.5	126.4	14.56	119.12	-4.94	-7.28

Source: Appropriation accounts

Scope of Audit

Audit was conducted as a follow up Audit of Para 3.1 of Report No. 2 of 2003 on the Functioning of Mail Motor Service with a view to assessing the compliance of the assurances given by the Ministry in the Action Taken Notes (ATN). Para 3.1 contained eleven sub paras from 3.1.5.1 to 3.1.5.11 with Audit observations to which Department had furnished compliance/assurance. The current Audit was carried out during July and August 2016 of records of 27 MMS units of 15 Circles[1] covering a three year period from 2013-14 to 2015-16.

Audit Objectives

The Audit was conducted to evaluate as to whether:

- DoP had complied with the assurances given in the ATN on Para no 3.1 of Audit Report no. 2 of 2003;
- The activity related to MMS is in compliance with extant rules, regulations and procedure; and
- MMS is functioning efficiently, effectively and economically.

Sources of Audit Criteria

The sources of main audit criteria were:

- Accounting Procedure for Mail Motor Service;
- Circulars/Orders issued by Directorate, DoP;
- Departmental Standards/Norms fixed by Directorate, DoP, Circle Offices and Heads of MMS Units;
- Audit findings in Audit Report no. 2 of 2003; and
- Assurances given in the ATN by DoP

[1] 1. Andhra Pradesh (Hyderabad and Vijayawada), 2. Assam (Guwahati), 3. Bihar (Patna), 4. Delhi (Delhi), 5. Gujarat (Ahmedabad and Vadodara), 6. Kerala (Ernakulam and Thiruvananthapuram), 7. Karnataka (Bengaluru and Mysuru), 8. Madhya Pradesh (Indore and Bhopal), 9. Maharashtra (Mumbai, Nagpur and Pune), 10. Orissa (Bhubaneshar and Cuttack), 11. Punjab (Chandigarh and Jalandhar), 12. Rajasthan (Jaipur and Udaipur), 13. Tamil Nadu (Chennai and Vellore), 14. Uttar Pradesh (Kanpur and Meerut) and 15. West Bengal (Kolkata).

2.1.2 Audit Findings

2.1.2.1 Operation and Maintenance of Vehicles

A. Fleet Utilization

Para 3.1 of Report No. 2 of 2003 highlighted that vehicles in the fleet were fully utilized only in few units and prescribed norms of daily coverage (100 Kms and 8 hours) and deployment were not adhered to. The Ministry in their ATN had stated that the departmental vehicles were mostly being utilized in full, either in terms of km or hours.

Audit observed that there was a downward revision in the norms for fleet utilization. Departmental instructions issued in January 2003 provided that each vehicle should cover, on an average, a minimum run of 70 Km per day in the intra-city schedules and 120 Km per day in the case of inter-city schedules. Further, the instructions also envisaged that vehicle should work on a schedule for at least 8 hours a day including a lunch break of 30 minutes. Optimum utilization of vehicle in two shifts, wherever possible, should also be explored.

Scrutiny of Vehicle Schedule records of the fleet utilization in 27 MMS units under 15 Circles revealed that the revised norms for fleet utilization, which were reduced, were not achieved by the Department during 2013-14 to 2015-16.Details of non-achievement of prescribed norms of daily coverage of minimum of 70 Kms and deployment of 8 hours in intra city schedules are shown in **Table: 3** below:

Table-3

Statement showing deployment of Trip Schedules

Year	Total Schedules	No. of schedules covering less than 70 Km	No. of schedules deployed for less than 8 hours
2013-14	803	367	474
2014-15	901	379	481
2015-16	907	364	472
Total	**2611**	**1110**	**1427**

Source: Data compiled from Vehicle Schedule records at MMS units

It is seen from the above table that 1110 schedules (43 *per cent*) out of 2611 schedules operated by the vehicles in 27 units could not achieve the reduced norm of 70 Km per day. Similarly, 1427 schedules (55*per cent*) were deployed for less than 8 hours a day. In the case of inter-city schedules operated in Kolkata and

Trivandrum units, out of 127 schedules operated by the vehicles, the prescribed norm of daily coverage of 120 KMs was not adhered to in 64 schedules.

Ministry, while accepting the Audit observations, replied (December 2016) that in some places due to high density population locations and narrow roads for connectivity of posts offices, RMS Offices, Transit Mail offices, etc, some schedule may not be covering the norms of 70 Kms but comparatively position has improved and almost all the schedules are revised for 8 hours and more. It was also replied that as a further course of action in this regard, circles have been instructed to re-examine such schedules so that prescribed norms of minimum run of 70 kms and 120 kms may be achieved 100 *per cent*.

The reply is not acceptable since even after reducing the norms of minimum run from 100 Kms to 70 Kms per day by a vehicle, a good number of vehicles were neither being optimally utilized nor majority of the vehicles adhered to the prescribed norm of work for at least 8 hours a day. Further, the issues stated by the Department would have already been factored into while fixing the norms and keeping in view the observation about the high density population location and narrow roads, the non-achievement of the norms for atleast 8 hours work is inexplicable.

B. Non-installation of IGL fuel pumps in the Depot premises

In order to optimize utilization of vehicles, it was imperative to minimize the empty run which results in dead mileage. For this purpose the parking of vehicles should have been near the collection/delivery points and fuel should get filled during the schedule operations. Clause 62 of Book of Accounting Procedure for MMS provide that a fuel pump can be installed at MMS depot if the fuel consumption per month is more than 4500 Kg/KL of CNG/Diesel.

Para No.3.1.5.2 of Audit Report No. 2 of 2003 pointed out the instances of empty deployment of vehicles in response to which Ministry in their ATN had given assurance for corrective actions.

Audit scrutiny revealed that in Delhi Circle, the total monthly consumption in the circle was approximately 48000 Kg. However, Delhi Circle did not take concrete steps to get the fuel pump installed in its three depots although the proposal for setting up CNG filling station in three MMS Depots in Delhi Circle was initiated in 2009 with M/s IGL and sent to Postal Directorate for approval in December 2011. Decision on the proposal was still pending (March 2017).

It was also observed that an internal review was carried out (December 2011) on the offer extended by IGL whereby a cost saving to the tune of ₹ 4.37 lakh per month was estimated on installation of IGL fuel pumps at three Depot premises. Thus, the Department had foregone a total cost savings of ₹ 1.57 crore[2] during the period from 2013-14 to 2015-16 due to the lethargic approach being taken in this regard.

Accepting the Audit observation, Ministry replied that Delhi circle has been instructed to expedite the matter.

2.1.2.2 Disposal of Condemned Vehicles

As per Schedule VII of Delegation of Financial Powers, the life of Heavy Motor Vehicles is fixed in terms of distance run of 400000 Kms and length of use for 10 years whichever is reached later and for, Motor Vehicle fitted with engines up to 20 hp, it is 150000 kms and 6.5 years. A vehicle should be condemned only after a certificate has been obtained from one of the following authorities to the effect that the vehicle is not fit for any further economical use :-

(i) An Electrical & Mechanical Workshop of the National Airport Authority

(ii) The Workshop of State Road Transport Corporation

(iii) At locations where workshops mentioned at (i) and(ii) are not available Transport Workshops under the Central or State Government Departments

Condemned vehicles have to be disposed off within three months from the date of placing of fresh order. These instructions were reiterated in October 2013. A comment on non-disposal of condemned vehicles was also made in Para no. 3.1.5.7 of Report no. 2 of 2003. Ministry in their ATN had stated that suitable instruction for disposal of vehicles within three months from the receipt of the replacement was reiterated to avoid such recurrence. Audit scrutiny of the records in 27 units in fifteen circles revealed that 166 vehicles were condemned in 5 units during 2013-14 to 2015-16 and they were operated beyond the date of condemnation. The delay in disposal of these vehicles ranged from 6 to 40months as shown in the table below:

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[2] ₹4.37 lakh x 36 months = ₹1.57 crore

Table 4
Statement showing delay in condemnation of vehicles

Sl. No.	Name of Circle	Name of units	No. of condemned vehicles	Year of condemnation	Period pending disposal as on June 2016 (in months)
1	West Bengal	Kolkata	30	2015	6 to 14
2	Delhi	Delhi	48	2015	18
3	Maharashtra	Mumbai	39	2013to 2016	18 to 40
4	Tamil Nadu	Chennai	38	2015	18
5	Uttar Pradesh	Kanpur	11	2013	33
	Total		**166**		

Source: As per information furnished by units

Condemnation of above mentioned vehicles was done due to completion of prescribed life of the vehicle or non-economical to the department.

National Green Tribunal (NGT) had issued (July 2016) orders that all diesel vehicles which are more than 15 years old and are Bharat Stage (BS) -I, BS-II to be scrapped. Further, these vehicles will not get a no-objections certificate (NOC) which would allow them to be registered elsewhere outside Delhi and the National Capital Region which effectively means they cannot be used anywhere in the country

Audit observed that all the vehicles declared condemned by the department were more than 15 years old, these vehicles were not disposed off despite the declaration of condemnation and were being operated beyond the date of condemnation. This resulted not only in expenditure on their maintenance but also in violation of the orders issued by the NGT.

Ministry replied that vehicles are kept on road after the declaration by Motor Vehicle Disposal Committee (MVDC) to run by maintaining with minimum possible expenditure till replacement of new vehicles are received. In the case of majority of Mail vehicles, they are supplied by manufacturers in the form of chassis or chassis with driver's cab. The process of body constructions and tender process, etc., and the supply of chassis through Directorate General of Supplies and Disposal (DGS&D) also take its own time. After receipt of the replacement, old vehicles are disposed off. Further, circles have been instructed to expedite the same. Ministry also stated that condemned vehicle could not be replaced due to ban on purchase of vehicle. Ministry of Finance has lifted the ban in October 2014 for procurement of vehicles against condemned ones only. Proposal for condemnation as per the norms are being proceeded and vehicles are being replaced accordingly.

The reply is not acceptable since vehicles are normally condemned when their economic utility comes to an end. With a view to avoiding disruption of services, Department could have resorted to the hiring option wherever it was cheaper. Further, the risk factor of operating vehicles beyond their useful lives has not been taken into consideration by the Department.

2.1.2.3 Supply and Installation of GPS

DoP placed (May 2015) a work order on M/s CE Info System Pvt. Ltd., New Delhi for supply and installation of Global Positioning System (GPS) in 990 operational vehicles across the country with the objectives of

- tracking the actual location of motor vehicle on a digitalized/satellite map;
- Web enabled solution to provide information to control room about the status of the vehicles on real time basis;
- land marking of the location of the post offices on digitalized/satellite map;
- real time two way communications between vehicle and the control room;
- integrating with the operational package and
- Developing customized MIS.

The total cost of the work order was ₹ 2.05 crore including mandatory Annual Maintenance Contract (AMC) for ₹ 1.05 crore for hardware and Software for five years.

As per the clause 5 of work order, the hardware was to be installed within six months of issue of work order and software was to be customized and implemented within the same period i.e., by 13 November 2015. Clause 6 of the agreement provides that the successful tenderer should impart training to the MMS staff on operation of the GPS hardware and customized software for generating various reports.

Audit scrutiny of the records in the selected units revealed that out of 795 GPS procured between May 2015 and February 2016 in 27 units of the 15 circles, 18 GPS in four units[3] were not installed due to non availability of vehicles as they were off road, condemned, not in operation due to RTO limitation, etc. Out of the 777 GPS installed, it was seen that only 320 GPS were functioning to some extent in 12 units and the remaining 457 were not functional as of June 2016. Directorate had made full payment of ₹ 49.40 lakh for hardware supplied by the vendor in May/June 2016.The details are in Table 5 below:

[3] Kolkata-14, Ernakulam-2, Bhubaneshwar-1 and Kanpur-1

Table - 5
Statement showing status of GPS installed

Sl. No.	Units	No. of GPS Not functioning	Period of non-functioning (in Months)
1	Hyderabad	42	8
2	Vijayawada	6	9
3	Kolkata	45	4
4	Delhi	125	12
5	Trivandrum	8	6
6	Mumbai	161	8
7	Chandigarh	9	9
8	Jalandhar	3	9
9	Chennai	17	9
10	Kanpur	19	9
11	Meerut	4	9
12	Nagpur	18	10
	Total	**457**	

Source: As per information furnished by units

Audit examination further revealed that though Delhi and Maharashtra Circles were having the largest number of fleet and were allotted the maximum number of devices, the GPS were not made operational till date in Delhi Circle due to connectivity issues and in Maharashtra circle, the systems were not functioning due to various operational issues**.** It was also observed that in four units [4] where GPS was functioning, the desired reports were not generated or there was difference between GPS generated and MIS reports.

Further review of records at Postal Directorate revealed that although the GPS device was web based, the problem of low web connectivity was not discussed/commented by the vendor/postal authorities during the trial run in Delhi (April 2015), Mumbai and Hyderabad (October 2015). It was only on receiving performance reports of circles (March-August 2016) and recommendation of firm (October 2015), the Directorate recommended the Technical wing of DoP to upgrade the bandwidth to 3 Mbps in September 2016 after nearly one year of installation. Monitoring Committee was also not formed in circles.

Ministry replied that Department has provided Sify network in all the locations and bandwidth for web connectivity was not adequate to accommodate huge data of GPS software in Sify network. It was also stated that necessary efforts were under

[4] Bhubaneswar, Indore, Bhopal and Cuttack units

process by technical division of Directorate to provide higher bandwidth for smooth operation of GPS software.

The reply is not acceptable as M/s Sify was selected (2012) for providing internet connectivity in all Post Offices including 15 Mail Motor Offices with speed of 256 mbps depending upon the average concurrent users under "IT modernization project of DoP" and GPS was not the criteria at that time. However, GPS provision was the new requirement, proper internet bandwidth which was pre-requisite for GPS should have been ready before issue of work order and the project should have been monitored centrally by the Directorate. Ministry has not provided any fixed time schedule for increase in band width to complete operationalization of GPS system in all circles.

2.1.2.4 Lapses in preparing Proforma Accounts

Proforma Accounts in the prescribed format are drawn by each unit to arrive at the running cost per Km of the MMS. In terms of the Accounting Procedure (Chapter XVIII, Para 148) prescribed for the Mail Motor Service, individual units are required to prepare every month, a Proforma Account for submission to the Head of the Circle by the 10th of the following month. Further, at the end of the year, Annual Proforma Account should be prepared and submitted to the Directorate through the Head of the Circle by 31st May each year.

Audit pointed out certain omissions/deficiencies in maintenance of proforma accounts under para 3.1.5.10 of Report No. 2 of 2003. Department in the ATN stated that suitable instructions were issued to the units to submit it as per the rules.

Scrutiny of available records of 27 MMS units in 15 circles however, revealed that the following internal control lapses still exist in the maintenance of Proforma Accounts by different units as shown below:

- Seven MMS units[5] in seven circles had submitted the monthly accounts to Circle office with a delay ranging up to 271 days;
- Eight MMS units[6] in six circles did not submit their monthly accounts to Circles;
- Nine units[7] did not raise debits amounting to ₹ 34.38 lakh for Logistics Post and ₹ 1.76 crore for cost of job done for other units in deviation from Rule 136 of Book of Accounting Procedure of MMS.

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[5] Delhi, Bengaluru, Hyderabad, Mumbai, Guwahati, Patna and Ahemadabad .
[6] Bhopal, Jaipur, Indore, Kanpur, Pune, Vijayawada, Chandigarh and Udaipur
[7] Hyderabad, Thiruvananthapuram, Ernakulam, Vijayawada, Bengaluru, Nagpur, Kanpur, Pune and Kolkata.

- Debits aggregating ₹ 81.56 lakh against other units for diverting the manpower were not raised by Delhi Circle.
- Incorrect calculation of cost per Km in four units due to incorporation of kilometres run by hired vehicles (Delhi), adoption of wrong figures for direct and indirect charges (Cuttack) and understatement of expenditure (Kolkata and Kanpur).

Ministry replied that necessary instructions have been issued as to follow the time schedules to submit the proforma account, calculations to be done clearly as per the guidelines, the expenditure and kilometers of hired vehicles not to be included in the proforma cost of MMS vehicles and regular Accounts Transfer Debits (ATDs) to be issued &account adjusted under relevant Head of Account.

However, the fact remains that no responsibility was fixed by the Department for continued accounting lapses.

2.1.2.5 Conveyance of Mail through Private Contractors

Business Development & Operations Division of DoP issued (March 2008) guidelines to hire vehicles from private parties which *inter alia* stated that vehicles should not be hired at a rate higher than the operational cost per kilometer of the MMS unit concerned. Further DoP's instructions of February 2013 stipulated that variation in fuel price, if any would also be taken into account while making payment.

The Financial Powers of Head of Circles for hiring of commercial vehicles for conveyance of mails issued by DoP in September 2007 had stipulated the limit of ₹ 60 lakh per annum.

Review of records of 27 units in 15 circles for the period from 2013-14 to 2015-16 revealed that in eight[8] circles which had hired vehicles during the period, Delhi unit was hiring at a rate higher than the Cost/km of departmental vehicle. It was noticed that Delhi unit was paying ₹ 51/km as hiring charge as against the average cost of operation of ₹ 41.28/km during 2014 to 2016 which also include the pay and allowance of staff, repair and maintenance, depreciation, interest on vehicles and pensionary charges. This resulted in excess payment of ₹ 50 lakh during the period.

It was further noticed that Delhi unit had exceeded the delegated limit and incurred an unauthorized expenditure of ₹ 1.37 crore during 2015-16. No specific reason in this regard had been furnished.

[8] Assam, Gujarat, Delhi, Karnataka, Kerala, Maharashtra, Uttar Pradesh and Orissa

Ministry replied that instructions have been issued to follow the prescribed tender formality of hiring of vehicles, their price negotiation, if any, required and utilization within the funds availability. Clarification of Delhi circle that proforma cost of same type of departmental vehicle was higher, therefore in exigencies of services, the hired vehicles were utilized from the approved contractor was also endorsed with the reply.

Clarification of Delhi circle is not supported by any detailed workings and hence, is not acceptable since it deviates from the Departmental instruction that hiring should be resorted to only when it is cheaper.

2.1.2.6 Avoidable payment of tax

Para 3.1.5.11 of Report No. 2 of 2003 pointed out failure of the Department to claim exemption from payment of Motor Vehicle Tax in some circles since Article 285 (1) of the Constitution provides that the properties of the Union shall be exempt from all taxes imposed by a State or by any authority within a State. Ministry in their ATN stated that road tax on mail vans was paid due to insistence by the O/o the Regional Transport Authority (RTA). The RTA authority denied issuing fitness certificate in absence of prior payment of road tax.

Audit scrutiny of the records of 27 units in 15 circles revealed that 11 units under seven[9] circles had paid ₹ 37.92 lakh as state taxes during 2013-16 in contravention of the Constitutional provision.

Admitting the Audit observation, Department replied that the matter has been taken up at higher level with the Secretary, Transport to issue necessary instruction to state RTOs to exempt the Mail Motors for road taxes.

2.1.3 Conclusion

Para 3.1 of Report No. 2 of 2003 on the Functioning of Mail Motor Service (MMS) pointed out that prescribed norms of daily coverage and deployment, non-disposal of condemned vehicles, etc. were not being adhered to. Ministry in their Action Taken Note (ATN) had stated that suitable instructions had been issued to strictly follow the guidelines. Despite the assurances given in the ATN, the irregularities were still persisting which goes to show that remedial and corrective measures had not been fully implemented. There were repetitive instances of non-adherence of the prescribed norms of daily coverage and deployment, absence of norms to control fuel consumption, continued deployment of condemned vehicles for want of timely replacement, omissions and deficiencies in maintenance of

[9] Bihar (Patna ₹ 4.06lakh), Gujarat (Ahmedabad ₹ 3.17 lakh and Vadodara ₹ 1.44lakh), Karnataka (Bengaluru ₹ 3.83 lakh and Mysuru ₹ 0.24 lakh),Kerala (Ernakulam ₹ 1.03 lakh and Trivandrum ₹ 2.4 lakh), Maharashtra (Nagpur ₹ 6.84 lakh and Pune ₹ 11.2 lakh),Odisha (Bhubaneshwar ₹ 0.72 lakh) and Uttar Pradesh (Kanpur ₹ 2.99 lakh)

proforma accounts, etc. Further, out of the 795 Global Positioning System (GPS) procured for installation in the MMS vehicles, 457 devices were not functioning.

2.1.4 Recommendations:

- The fleet utilization need to be improved keeping in view the volume of mail traffic and availability of vehicles in the unit.
- Condemnation of vehicles may be done when their operations cease to be economical and condemned vehicle be disposed off expeditiously.
- Need for CNG pumps in Delhi MMS may be assessed considering pros and cons and if considered desirable, expeditious action may be taken for installation of CNG pumps to avoid future loss to the department.
- A timeline may be fixed to install GPS in all the vehicles to complete operationalization of GPS systems in all circles.
- Prescribed norms/departmental instruction may be adhered while hiring of vehicle from the private contractor.

2.2 Irregular parking of funds and consequential loss of interest

Director of Accounts (Postal), Cuttack did not claim interest of ₹ 64.07 crore from State Bank of India for delay in remittance of Government money. Besides, ₹ 485.61 crore was allowed to be irregularly retained in a current account opened in violation of RBI guidelines.

Central Treasury Rules (CTR) provide that Posts & Telecommunications (P&T) transactions with Bank need not pass through the treasury accounts and will be brought to account direct against the P&T balance in the books of the Reserve Bank of India (RBI). Both debit and credit transactions are advised daily by the Bank to the Director of Accounts (Postal)/Circle Accountants (Telecom) and the Disbursing Officers concerned through debit and credit scrolls. RBI advised (January 1986) State Bank of India (SBI) that Head Post Offices (HPO) are not required to open separate current accounts and maintain minimum balance with the bank managing the Clearing House as per Clearing House Rules.

As per the directions issued (May 2008) by the Ministry of Finance (MoF) in respect of small saving schemes of Ministry of Finance (Public Provident Fund & Senior Citizen's Savings Scheme), all remittances shall be credited to Government Account within three days for Private Sector Banks (including holidays) and three days excluding holidays for Public Sector Banks. In case of delays, the penalty payable by accredited banks on such delayed remittances shall be the applicable rate of interest payable to the depositor plus 0.5*per cent* in case of delays up to 30 days and plus 1 *per cent* in case of delays beyond 30 days.

Audit scrutiny of records revealed that Rourkela HPO in Odisha Postal Circle was making all postal transactions in an authorized bank account at SBI Uditnagar branch, Rourkela. However, it was noticed that a separate current account was being operated by SBI (Main), Bisra Road, Rourkela since June 2011 to facilitate Postmaster, Rourkela HPO as clearing house member. It was also noticed that Director of Accounts (Postal), Cuttack in April 2011 had authorised SBI (Main), Bisra Road, Rourkela to conduct the postal transactions of Rourkela HPO for clearing settlement only and to make debit/credit of day to day clearing balance to the authorized Government account at SBI Uditnagar.

Further, from October 2011 all cheques remitted by HPO Rourkela to SBI Rourkela for clearance were credited to current account in SBI (Main), Bisra Road without being remitted to DoP balance in the books of the RBI. The bank also did not send daily scroll to DA(P) Cuttack and Postmaster, Rourkela HPO. The details of accumulated balance in unauthorized current account at SBI (Main), Bisra Road and details of remittance to authorized Government account at Uditnagar Branch and final transfer to RBI were as under:-

Table - 6

Balance in unauthorized current account during various periods

Period of credit of cheque proceeds in unauthorized current account at SBI (Main) Bisra Road	Accumulated balance in unauthorized current account at Bisra Road (₹ in crore)	Amount transferred to authorized Govt. Account at SBI Uditnagar (₹ in crore)	Date on which amount credited to authorized Govt. account	Date of transfer to RBI from Uditnagar branch	Balance retained by SBI(main) Bisra Road in current account number (₹ in crore)
1	**2**	**3**	**4**	**5**	**6 (2-3)**
13-10-2011 to 31-3-2012	30.50	15.00	3-4-2012	10-4-2012	15.50
1-4-2012 to 21-3-2015	274.76	106.81	21-3-2015	27-3-2015	167.95
22-3-2015 to 3-10-2015	256.40	150.00	3-10-2015	8-10-2015	106.40
4-10-2015 to 4-4-2016	213.80	213.80	4-4-2016	12-4-2016	0
Total		**485.61**			

Thus, SBI Rourkela irregularly retained Government money of Small Savings Scheme of MoF to the extent of ₹ 485.61 crore in an unauthorized account and remitted it to authorized Government Account with a delay ranging from 22 days to 1157 days.

On being pointed out by Audit in November 2015, January 2016 and April 2016, the unauthorized current account was closed on 4th April 2016 and final balance of ₹ 213.80 crore was transferred to authorized Government account for credit to the balance of DoP in the books of RBI.

Audit noticed that DAP, Cuttack who was to realize interest for delayed credit of DoP's money to Government account did not realize any interest for delay in respect of SBI Uditnagar Rourkela. An amount of ₹ 64.07[10] crore was recoverable towards interest from SBI for delay in transfer of money from unauthorized account to authorized account.

Thus, failure of postal authorities to keep a vigil over the Government money not only resulted in amounts lying in unauthorised current account for more than four years but also non-realisation of ₹ 64.07 crore for delayed transfer of Government money in Odisha Circle.

Admitting the Audit observation, Ministry replied (February 2017) that in spite of clear instructions from DA(P), Cuttack, SBI Rourkela irregularly opened a separate current account in the name of the Postmaster, Rourkela HPO in June 2011, violating RBI guidelines to facilitate as clearing house member for which SBI authorities are solely responsible. It was also stated that since October 2011, all cheques remitted by the Rourkela HPO to SBI Main Branch Rourkela for clearance were credited to the said current account without being remitted to the authorized Government account on day to day basis. It was further replied that SBI Main branch Rourkela did not send any scrolls to the Postal Accounts wing of the DoP or to the Rourkela HPO during the period.

It was added that instructions have been issued (December 2016) to all circles to avoid such type of irregularities and the matter had also been taken up with the Chairman SBI for expediting the issue of payment of penal interest to Department of Post.

However, the fact remains that lack of monitoring of remittances since October 2011 and causing them to lie undetected for a longer period indicated the failure of internal control system of the Department. It is pertinent to mention that Audit, vide para 3.1.7.1 (ii) of Report No. 17 of 2014 regarding Non-reconciliation of Post Office Schedules with Bank Scrolls by Postal Accounts Offices of DoP, had pointed out that the mechanism prevalent in PAOs to keep a check on

[10] applicable rates of interest for SCSS of MoF plus 1 *per cent* or 0.5 *per cent* as the case may be

reconciliation of Post Office schedules with Bank Scrolls was inadequate and ineffective. This had resulted in Government money lying in an unauthorized account for more than four years. Penal interest for the delayed transfer of Government money was also not realized.

2.3 Loss of Revenue on Non-Registered Newspapers

Newspapers not registered with Registrar of Newspapers in India were irregularly allowed to avail of concessional tariff which resulted in loss of revenue of ₹ 2.45 crore in four Postal Circles viz. Karnataka, Maharashtra, Tamil Nadu and Gujarat even after assurances given by DoP in April 2013.

Rule 129 of Post office Guide, Part-I relating to Conditions for Charging Special Rates for Book Packets containing Periodicals stipulates that the special rates of postage in respect of a book packet containing periodicals shall be applicable only if it is registered with the Registrar of Newspapers in India (RNI) under the Press and Registration of Books Act, 1867 (25 of 1867) and the periodical bears in print in any convenient place, either on the first or last page thereof, the superscription "Registered with the Registrar of Newspapers in India (RNI)" mentioning that number. After RNI Registration, the newspaper has to separately register itself with the concerned authorized[11] postal authorities. Accordingly, a license is issued to the concerned publisher by the concerned postal authority, valid for a period of three years which requires to be renewed periodically. Further, newspapers that fail to comply with the above conditions for availing concessional rates are to be treated as book packets and tariff[12] is charged accordingly.

Comments regarding short realization of postage charges by allowing concessional tariff to ineligible publications were made in Paragraph 3.2 of Audit Report No. CA-II of 2008, Paragraph 2.8 of Audit Report No 14 of 2008-09 and Paragraph 3.3 of Report No. CA 17 of 2014 of Comptroller and Auditor General of India. Ministry in their Action Taken Notes (ATNs) submitted (April 2013), while accepting the audit conclusion, stated that consolidated instructions on registered newspapers were issued in May 2008 to all the circles. It was also stated (April 2013) that after the issue of these instructions, grant of registration to ineligible publications under the category of registered newspaper have reduced. It was further added (August 2015) that the system of periodic checks on posting of registered newspapers/magazines was being reiterated to the Circles to take care of the checks and balances. Audit noticed that the instructions issued in May 2008 and assurances given by the Ministry in the ATNs were, however, not being

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[11] Divisional Superintendent Offices and independent Gazetted Postmasters

[12] The rates applicable for book packets were ₹ 2/- up to 31.5.2001 and ₹ 4/- from 1.6.2001 onward.

complied with by the Circles and the deficiency continued to persist as discussed below.

Audit scrutiny (August 2015 to August 2016) of records of post offices under 15 Divisions in four Postal Circles viz. Karnataka, Maharashtra, Tamil Nadu and Gujarat revealed that the newspapers which were not registered with RNI were allowed to avail concessional tariff of ₹ 2.45 crore since April 2013 as shown in the table below:

Table - 7

Concessions to Unregistered Newspapers

Sl.No	Name of the Circle	Name of the Division	Amount since April 2013 (₹ in Lakh)
1	Karnataka	Kalaburagi	53.20
		Bidar	
2	Maharashtra	Mumbai Region (North East)	133.41
		Nashik	
		Malegaon	
		Dhule	
		Nagpur City	
		Nagpur MFL	
		Satara	
3	Tamil Nadu	Tirunelveli	12.35
		Chengalpattu	
4	Gujarat	Ahmedabad City	45.91
		Vadodara East	
		Vadodara West	
		Rajkot	
		Total	**244.87**

It was also noticed that in some of the cases, the registration number written on the cover page of newspaper or in the documents furnished by the publishers at the time of applying for postal registration were allotted to some other newspapers by the RNI. Since these newspapers did not have the certificate of registration from RNI, book packet rates should have been charged instead of allowing concessional tariff.

On this being pointed out (January 2017) by Audit, Ministry, while accepting the audit findings, stated (April 2017) that heads of the above four Circles have been instructed to look into the matter personally for recovery. It further directed all the Circles to review the position and exercise effective monitoring to arrest the leakage of revenue, if any. Here it is worth mentioning that despite repeated audit observations, DoP had not taken effective steps to ensure that all the rules and regulations with regard to concessional tariff were followed scrupulously.

In ATN on previous audit observations, DoP simply issued instructions to all the circles but did not monitor action taken by the circles. On the other hand, circles were reluctant to evolve a system so that instructions of DoP regarding concessional tariff was implemented in toto. As a result, ineligible newspapers which were not registered with RNI, continued to avail concessional tariff which resulted in short realization of revenue to the extent of ₹2.45 crore.

It was also revealed that in addition to the amount indicated above for the period since April 2013, there were cases of such concessional tariff to the extent of ₹4.21 crore for period prior to April 2013.

Recovery has to be made from all the ineligible newspapers along with the amount of such recovery pointed out in the earlier reports and responsibility needs to be fixed against erring officials by the DoP.

2.4 Excess payment of Haulage Charges

Uttar Pradesh, Tamil Nadu and Gujarat circles made payment for excess berths than sanctioned which resulted in excess payment of ₹ 2.70 crore besides non-claim of rebate of ₹ 0.18 crore

Department of Posts (DoP) issued instructions (January 2007) to all heads of Circles regarding payment of haulage charges to Railways under the revised system of berth displacement. These instructions stipulated the following:

- Seat displacement system was replaced by berth displacement system for calculation of haulage charges and half bogie was to be treated as 36 berths in Broad Gauge (BG) and 32 berths in Meter Gauge (MG);
- Rates based on distance slabs effective from April 2006 to December 2007 were also finalized, which were to be reviewed from time to time; and
- Rebate of 2 *per cent* on Capital Investment by DoP shall continue to be given on postal vans.

In February 2007, DoP clarified the category of postal vans for the purpose of haulage charges, according to which payment were to be made for four slabs of berths i.e. (i) 1-18, (ii) 19-36 (iii) 37-54 and (iv) 55 - 72. These instructions were circulated to all Heads of Circles in February 2007.

Comments regarding excess payment of haulage charges were made in Report No. CA 14 of 2008-09 and para 5.3 of AR 9 of 2010-11. Ministry in their Action Taken Note (ATN) submitted in April 2010 had stated that suitable instructions had been issued to all concerned. It was, however, noticed that deficiency continued to persist as discussed below due to failure of adequate control mechanism at Circle level.

Audit scrutiny of records in the office of Chief Postmasters General (CPMsG) Uttar Pradesh, Gujarat and Tamil Nadu Postal Circles during (January to August 2016) revealed that haulage charges of ₹ 2.70 crore was paid to Railways of different Circles for the period from October 2010 to June 2015 for excess berths than sanctioned as shown in the table below.

Table - 8

Details of Excess Payments for the Berths

Name of Circle	Sections	Period	Number of berths sanctioned	Number of berths for which claim paid to Railway	Payment made	Payment due	Excess payment
							(₹ in crore)
Uttar Pradesh	Jhansi-Lucknow Jhansi-Allahabad Barauni-Gwalior	October 2010 to October 2012	18	36	1.84	0.92	0.92
Tamil Nadu	Thiruvanathapuram -Mumbai New Delhi – Chennai Central	April 2012 to November 2014	18	36	5.67	4.08	1.59
Gujarat	Jodhpur and Delhi	March 2015 to June 2015	36	54	0.56	0.37	0.19
	Total						**2.70**

It was also noticed that in Gujarat Circle, DoP while making the payment of haulage charges did not avail rebate of ₹ 17.65 lakh being 2 *per cent* for Capital Investment for 19 postal vans.

On this being pointed out by Audit, Ministry in their reply (November 2016), while agreeing to the audit contention, stated that Uttar Pradesh circle had made excess payment and proposed that the overpaid amount would be recovered by adjustment from the future bills of Haulage charges preferred by Railway authorities. As regards other two circles, it was stated that all the circles had been addressed to ensure to avoid recurrence of instances of over payment.

Thus omission on the part of postal authorities while making the payment for haulage charges without ascertaining the sanctioned berths resulted in avoidable excess payment of haulage charges and rebate of ₹ 2.88 crore out of which ₹ 36.31 lakh was recovered by Gujarat Circle after being pointed out by Audit.

2.5 Avoidable payment on hiring of Remotely Managed Franking Machines

CPMG, Maharashtra and Gujarat Circles entered into agreements with M/s Pitney Bowes India Pvt. Ltd for hiring Remotely Managed Franking Machines (RMFMs) without properly assessing the business in the BPCs/MBCs in their respective circles. CPMsG agreed for payment for minimum of three lakh impression which in case of most of the BPC/MBCs was much higher than the actual volume of business. This resulted in avoidable payment of ₹ 86.09 lakh.

Department of Posts (DoP) issued (February 2013) instructions to all the Chief Postmasters General (CPMsG) to replace the Electronic Franking Machines installed in Departmental Offices with Remotely Managed Franking Machines (RMFMs)[13] on hire basis. Both low & high speed RMFMs were to be hired on click charge basis, if hiring was found economical and cost effective at Circle level. The deadline set for installation of RMFMs was 30th June 2013.

Chief Post Master General, (CPMG) Maharashtra and Gujarat Circles entered into agreements with M/s Pitney Bowes India Private Limited for hiring 41 RMFMs for three years, which were to be used at various Business Post Centers (BPCs)/Mail Business Centers (MBCs) in two circles as shown in the table below:

Table - 9

Details of Hiring of RMFMs

Sl.No.	Name of Circle	Name of supplier	No. of RMFMs hired	Month of agreement
1	Maharashtra	M/s Pitney Bowes India Pvt. Ltd, Mumbai	33	October 2013
2	Gujarat	M/s Pitney Bowes India Pvt. Ltd, New Delhi	08	July and December 2013
	Total		**41**	

The agreement stipulated that Circles were to pay at fixed cost for a minimum of three lakh impressions or the actual number of impressions per machine per month whichever was higher @ ₹ 0.14 per impression. However, in Mumbai region under Maharashtra Circle, clause 7 of the agreement stipulated that monthly minimum volume was to be considered on the sum total of all transactions for 33 units to be consolidated quarterly i.e. 2.97 crore impressions per quarter.

[13] It allows more security features like generation of two dimensional (2D) Matrix code, creation of electronic support system, facilitating remote setting of meters, eliminating human intervention and flow of data from franking machines to the Server. The RMFMs offer a secure, unique and digital frank and do not rely on mechanical seals.

Scrutiny of records in Maharashtra and Gujarat Circles revealed that the actual impressions on 27 RMFMs out of 41 RMFMs[14] rarely achieved the agreed target of three lakh impressions per machine per month during the period from August 2013 to June 2016. This indicates that these RMFMs were hired without assessing the volume of mail at the BPCs/MBCs and this lapse on the part of concerned postal authorities not only resulted in less number of clicks than the minimum agreed but also led to avoidable expenditure of ₹ 86.09 lakh as discussed below:

- In 22 BPCs/MBCs under Mumbai region of Maharashtra Circle, the actual number of impressions during November 2013 to January 2016 was far below the agreed number (three lakh) of impressions per machine per month. The average number of impressions in those BPCs/MBCs ranged between 0.77 lakh to 1.64 lakh i.e. between 26 *per cent* and 55 *per cent* of the minimum number impressions. Further, even though in 11 other RMFMs, the impressions ranged between 3.46 lakh and 6.27 lakh, yet the actual volume of impressions was always less than the agreed minimum volume of 2.97 crore impressions taken for all the 33 machines for a quarter. This resulted in avoidable extra expenditure of ₹ 55.67 lakh.
- In BPCs/MBCs of Vadodara, Rajkot and Bhavnagar under Gujarat Circle, the actual number of impressions during August 2013 to June 2016 never reached the agreed benchmark of minimum of three lakh impressions. The average number of impressions in these three BPCs/MBCs ranged between 0.82 lakh to 1.45 lakh, i.e. 27*per cent* to 48 *per cent* of the minimum impressions (three lakh) per machine per month. Further, in RMFMs installed in BPCs/MBCs of Surat and Anand, the impressions were below the minimum level of three lakh in 22 months out of 35 months. This resulted in avoidable expenditure of ₹ 30.42 lakh as detailed in Table below.

[14] Three RMFMs installed in Gujarat region were meeting the benchmark.

Table - 10

Details of Avoidable Payment due to Hiring of RMFMs

Sl. No	Name of Circle	Period during which RMFM under utilised	Clicks required as per agreement during the period	Actual clicks during the period	Total no. of short clicks	Avoidable payment (₹ in lakh)
1	Maharashtra	November 2013 to January 2016	254400000	219196365	35203635	55.67
2.	Gujarat	August 2013 to June 2016	41100000	21466944	19633056	30.42
Total						**86.09**

On this being pointed out by Audit, Ministry has stated that CPMsG has been requested to take corrective action so as to ensure optimum utilization and that there was no loss to the Department. It was further stated that instructions were also given to review the minimum limit of impressions in case of hiring of RMFMs.

Hence, it was imperative that before entering into agreements with firms to hire RMFMs, Circles should have assessed the volume of business in those BPC/MBCs where these were to be installed. While entering into an agreement, Circles may ensure that the interest of DoP is protected by taking trend of number of clicks in to account for assessing the volume of BPCs/MBCs on cluster basis. DoP may also ensure that there is uniformity in the method of calculation of impression volume by Circle (monthly/quarterly) until and unless there are specific reasons for deviation.

CHAPTER-III
MINISTRYOF ELECTRONICS AND INFORMATION TECHNOLOGY

3.1 Locking up of funds and unfruitful forex outgo

Non-compliance with provisions of General Financial Rules while releasing Grant-in-Aid of ₹ 53.91 crore to Kerala Medical Services Corporation Limited and Geo Spatial Delhi Limited coupled with inadequate monitoring of the projects resulted in delay in completion of the projects, blocking of funds and unfruitful foreign exchange outgo towards interest and commitment fee to the tune of ₹ 2.62 crore.

Department of Electronics and Information Technology (DeitY) (now Ministry of Electronics and Information Technology (MeitY)) accorded Administrative approval for the projects *'e-Health Kerala'* to be implemented by Kerala Medical Services Corporation Limited (KMSCL), a State of Kerala PSU and *'Development of Smart City Using Datasets of DSSDI*[1]' to be implemented by M/s Geo Spatial Delhi Limited (GSDL), a Government of Delhi Undertaking under World Bank assisted 'India: e-Delivery of Public Services Project'.

Audit examined the following in respect of these two projects:

(a) Project "e-Health Kerala" by Kerala Medical Services Corporation Limited (KMSCL)

To create universal and accurate database of health information about every individual and demographic data about the community, 'e-Health Kerala' project was approved in February 2013 at a total estimated outlay of ₹ 96.12 crore (DeitY share ₹ 86.69 crore and Government of Kerala share ₹ 9.43 crore). The duration for implementation of the e-Health project was two years. Accordingly, Department released (March 2013) ₹ 43.35 crore as first installment to M/s KMSCL.

Audit observed that there were irregularities in release of Grant-In-Aid to M/s KMSCL in terms of its monitoring and non-compliance of the provisions of General Financial Rules, 2005 (GFR) as discussed below:

- The implementation guidelines formulated (October 2012) by the Department in respect of World Bank assisted 'India: e-Delivery of Public Services Project', prescribed that the project proposals should indicate a Programme Implementing Agency to which funds can be transferred for implementing the projects. Audit, however, noticed that Department released the grant funds to M/s KMSCL even though the State Government had designated "Project Management Unit (PMU), e-Health Mission Kerala" as implementing agency;

[1] DSSDI: Delhi State Spatial Data Infrastructure

- Rule 209 (1) of GFR prescribes that all relevant information and documents would be required to be submitted for enabling the sanctioning authority to assess the suitability of institution seeking grant. Department released the grant to KMSCL during March 2013 without considering the fact that the Company had not finalized its annual accounts since 2010-11 onwards thereby defeating the transparency in the matter.

- Rule 209(6)(i) of GFR provides that the sanctioning authority may prescribe conditions regarding quantum and periodicity for release of grants in installments in consultation with the Financial Adviser. It was noticed that the e-health project consisted of various milestones such as selection of System Integrator through tendering process, System Study, Application Software Development, Training, Pilot Study, etc. Even though the Department, as a sanctioning authority, was empowered to prescribe conditions on quantum and periodicity for release of grant in pursuance with Rule 209(6)(i) of GFR, it did not exercise any due diligence in regulating the release of funds based on achievement of milestones. Instead, the Department released 50 *per cent* of its share as first installment in the fag end of the financial year.

- Rule 212(1) of GFR provides that Utilization Certificate (UC) should be submitted within twelve months of the closure of the financial year by the Institution or Organisation concerned. Audit noticed that KMSCL was only bound to submit UC at the time of seeking second installment of the Grant as per the terms of the Administrative approval. This resulted in extending undue flexibility to KMSCL for not being liable to submit UC in a time bound manner as per GFR.

- Department, while releasing the grant, exempted KMSCL from the execution of Surety Bond even though exemption was only applicable to Central Government Institutions as per Rule 209(6)(x) and Rule 2(xv) of GFR. This resulted in foregoing the opportunity to demand refund of grant from the recipient institution in the event of breach of terms and conditions.

- The Project Review Steering Group (PRSG) set up by the Department as an inbuilt evaluation mechanism in the sanctioned projects was to meet once in every four months. Audit, however, noticed that the first meeting of PRSG was held only in January 2014 i.e., after a lapse of nine months from the release of grant to a project with a duration of two years.

- As per the progress report submitted (August 2016) by PMU, it was seen that the project could not be completed by the State government even after a lapse of three years and four months as against the envisaged timeline of two years. The total fund utilization by May 2016 was only ₹ 6.44 crore, being 15 *per cent* (approximately) of the released funds.

On being pointed out (April 2016), Ministry stated (September 2016) that 'e-health Kerala' was approved on 14 March 2013. Thereafter, for monitoring of the progress of the project, regular PRSG and review meetings have been conducted.

Reply of Ministry was not convincing as first meeting of PRSG was held in January 2014, i.e. after a lapse of nine months from the release of grant to a project with a duration of two years and the project was yet to be completed.

(b) 'Development of Smart City Using Datasets of DSSDI' project by M/s GSDL

In order to provide complete transparency to the Department users to monitor the data development work of the features of their interest through a simple web GIS interface in the internet environment, the 'Development of Smart City Using Datasets of DSSDI' project was approved in April 2013 to be implemented by M/s Geo Spatial Delhi Limited (GSDL), a Public Sector Undertaking of Govt. of Delhi. The total outlay of the project was ₹ 21.11 crore and the duration for implementation of the project was three months. Accordingly, Department released (June 2013) ₹ 10.56 crore as first installment to GSDL.

Audit noticed that the release of Grant-In-Aid to GSDL was not in compliance with GFR provisions and the monitoring of the project implementation was inadequate as detailed below:

- Rule 209(6) (i) of GFR provides that the sanctioning authority may prescribe conditions regarding quantum and periodicity for release of grants in installments in consultation with the Financial Adviser. It was noticed that as per the Detailed Project Report, the project consisted of various components such as selection of Project inception report, sizing of hardware & software, publication of RFP for selection of System Integrator (SI), on boarding of SI, etc. Even though the Department, as a sanctioning authority, was empowered to prescribe conditions on quantum and periodicity for release of grant in pursuance with the relevant provision of GFR, it did not exercise any due diligence in regulating the release of funds in a phased manner based on the components of the project. Instead, the Department released 50 *per cent* of the grant funds in one stretch.

- Department, while releasing the grant, exempted GSDL from the execution of Surety Bond even though exemption was applicable only to Central Government Institutions as per Rule 209(6)(x) and Rule 2 (xv) of GFR. This resulted in foregoing the contractual right of the Department to demand refund of grant from the recipient institution in the event of breach of terms and conditions.

- The Project Review Steering Group (PRSG) set up by the Department as an inbuilt evaluation mechanism in the sanctioned projects was to meet once in every four months. Audit, however noticed that the first meeting of PRSG was held in January

2014, i.e. after a lapse of eight months from the release of grant to a project which was supposed to be completed within three months.

- It was noticed that Department continued extending the timelines despite there being no significant progress in the implementation of the project. It was seen that the timelines were revised (November 2014) from three months to nine months and subsequently upto August 2015. It was further seen that timeline for selection of SI was extended upto March 2016.
- As per the progress report submitted (June 2016) by GSDL, it was seen that GSDL could not complete the selection of SI through tendering process and the project remains incomplete even after a lapse of more than 3 years since release of funds. The total fund utilization as per the progress report was only to the tune of ₹ 0.14 crore, being 1.33 *per cent* (approximately) of the released funds.

On being pointed out (April 2016), Department stated (June 2016) that 'Development of smart city using datasets of DSSDI' project was approved on 30 April 2013. Thereafter, for monitoring of the progress of the project, regular PRSG and review meetings have been conducted. Reply of Department was not acceptable as first meeting of PRSG was held in January 2014, i.e. after a lapse of eight months from the release of grant to a project which was supposed to be completed within three months. The project was yet to be completed.

The Grant-In-Aid for both the projects was released out of loan funds of ₹ 791.40 crore (USD 150 million) received (December 2011) under 'e-Delivery of Public Service Development Policy Loan' from International Bank for Reconstruction and Development (IBRD). The total cost incurred towards interest and commitment fee on the project outlay of ₹ 53.91crore (₹ 43.35 crore plus ₹ 10.56 crore) in terms of foreign exchange outgo was ₹ 2.62crore[2] as of September 2016.

Thus, lack of due diligence in releasing Grant to the implementing agencies, non-compliance of GFR provisions coupled with inadequate monitoring mechanism resulted in delay incompletion of the projects thereby blocking of funds on account of Grant-In-Aid amounting to ₹ 53.91 crore and unfruitful foreign exchange outgo in form of interest and commitment fee by ₹ 2.62 crore.

Reply of the Ministry is awaited (February 2017).

[2] Total interest and commitment fee paid on ₹ 791.40 crore is ₹ 38.39 crore as per the IBRD Loan ledger prepared by CAA&A. Proportionate amount of interest for ₹ 53.91 Crore is ₹ 2.62 crore (₹ 38.39crore / ₹ 791.40 crore * ₹ 53.91crore).

3.2 Over payment of rent

C-DAC failed to properly measure the area taken for rent in connection with hiring of office space at Pune, resulting into overpayment of rent by ₹ 2.59 crore.

Centre for Development of Advanced Computing (C-DAC), Pune issued (March 2013) advertisement in newspapers for hiring 75,000 to 1,00,000 square feet furnished or unfurnished space for shifting one of its offices located at NSG IT Park, Pune owing to expiry of its current lease and additional demand for space. Accordingly 89,164 square feet chargeable area[3] was hired between May 2013 and January 2014 from Daksha Infrastructure Private Limited (DIPL) at Westend Centre, Aundh, Pune at a monthly rent of ₹ 80 per square feet as per the details furnished in Table below:

Table 1

Details of Chargeable Area

Floor	Carpet area (in square feet)		25 *percent* of carpet area (in square feet)	Total Chargeable area (in square feet)
	May 2013 agreement	January 2014 agreement		
3rd Floor	22800	-------	5700	28500
4th Floor	23352	-------	5838	29190
5th Floor	13964	8837	5700	28500
6th Floor	------	2379	595	2974
Total	**60116**	**11216**	**17833**	**89164**

Audit observed (December 2014) the following:

- The agreements entered into with DIPL contained that the area mentioned was subject to joint measurement. However C-DAC did not jointly measure the chargeable area and resorted to payment of rent on the basis of measurement given by DIPL.
- As per the provisions of the "Indian Standard of Method of Measurement of Plinth, Carpet and Rentable Areas of Buildings" issued by the Bureau of Indian Standards, the carpet area does not include common areas such as passage/corridor, kitchen, bathrooms, canteen, etc. While arriving at the chargeable area for rent, carpet area was inflated by including common areas of passage therein.

On being pointed out by Audit, C-DAC requested CPWD (November 2015) for measurement of hired premises jointly with DIPL which was denied by CPWD stating (December 2015) that there were no provisions in the CPWD manual for

[3] As per Letter of Intent (LoI)/Agreements, Chargeable area would be carpet area plus 25 *per cent* of the carpet area.

conducting the joint measurement of the building premises already hired. Subsequently, C-DAC Pune approached (December 2015) Public Works Department (PWD), Pune for joint measurement of the hired premises. PWD intimated (January 2016) that total carpet area of all the hired floors was 77605.42 square feet.

As the detail breakup of said carpet area was not furnished by PWD to C-DAC, Audit requested (April 2016) C-DAC to furnish breakup of said carpet area of floors so as to ascertain whether the carpet area was determined by the PWD in accordance with Indian Standards of Measurement of Plinth, Carpet and Rentable Area of Buildings as issued by Bureau of Indian Standards. However, the required information was not furnished by the C-DAC and instead another measurement of carpet area of hired floors by PWD was intimated (August 2016), whereby carpet area of floors was mentioned as 6104 sq. meter i.e. 65678 square feet.

Audit observed that there was huge difference between carpet area intimated by PWD in January 2016 (77605.42 square feet) and in August 2016 (65678 square feet). Though, it was stated by the PWD (August 2016) that carpet area was determined as per Indian Standard of Measurement, the fact could not be examined as breakup of different components of the carpet area was not furnished. Reckoning the latest measurement of carpet area given by PWD for payment of rent, area for which the rent was actually paid was much higher than the area for which rent was payable. This resulted into an over payment of rent amounting to ₹ 2.59 crore **(Annexure-I).** Management of C-DAC Pune did not take up the matter with DIPL to deliberate the issue of varied calculations of chargeable area as pointed out by audit.

Ministry replied (February 2017) that

- Indian Standard (IS) code was not a pre-condition of the tender. Had the advertisement mentioned that carpet area would be measured as per IS code; the bidders would have quoted accordingly.
- While calculating the rent payable, Audit has excluded the area of parking from the measurement given by PWD as per IS code. Either IS code or the agreement or the original quotation should be strictly followed in totality.
- It is the contract signed between parties alone which were final documents to be considered for calculation/payment of rent. Neither the advertisement nor bid/contract mentioned the CPWD norms/IS code regarding the measurement of carpet areas.

The reply of the Ministry is not convincing due to the following:

- ✓ Standard definition of carpet area will remain same over various tenders. It should be as defined by the Standards issued by Bureau of Indian Standard. C DAC being an autonomous society under MeitY, Government of India, should have verified the same as per the IS code.
- ✓ In the leave and license agreements, only carpet area of the floors was indicated for payment of rent. It is also mentioned that as per the agreements, the licensor shall provide one car park for every 1000 square feet of chargeable area for the exclusive use of the licensee at no extra cost. Hence inclusion of parking area in the basements as carpet area was irregular.
- ✓ As per the agreements signed between parties, it was clearly stated that the area mentioned was subject to joint measurement. C-DAC however did not consider it necessary to measure the chargeable area and resorted to payment of rent without joint measurement.

Thus, C-DAC did not conduct joint measurement of area of office space. As a result, it did not reckon correct area for rent payable in respect of hired office space at Pune and made an over payment of rent by ₹ 2.59 crore for the period from June 2013 to August 2016.

CHAPTER-IV
PUBLIC SECTOR UNDERTAKINGS

MINISTRY OF COMMUNICATIONS

Bharat Sanchar Nigam Limited

4.1 Performance Audit on Wireline Broadband Services

4.1.1 Introduction

Bharat Sanchar Nigam Limited (the company), a wholly owned company of the Government of India, was incorporated on 15 September 2000 under the Companies Act, 1956 and commenced commercial operation on 1 October 2000. The business of providing telecommunication services accross the country, other than Delhi and Mumbai, hitherto managed by the erstwhile Department of Telecom Services (DTS) and the Department of Telecom Operation (DTO) under Ministry of Communications was transferred to the newly formed company. There are 26 circles under the administrative control of the Company. Each circle is headed by a Chief General Manager under whom Secondary Switching Areas (SSAs) function for operating purpose which are headed by General Managers.

Broadband is a data connection that is able to support interactive services including internet access and has the capability of minimum download speed of 512 kbps[1] to an individual subscriber from the Point Of Presence (POP) of the service provider intending to provide broadband service. Broadband access technology is broadly classified into two categories namely Wireline and Wireless.

Government of India, recognizing the potential of ever-present Broadband service in the growth of common applications such as tele-education, tele-medicine, e-governance, entertainment and general employment opportunities by way of high speed access to information and web-based communication, introduced Broadband Policy, 2004 with the objective to accelerate the growth of broadband services in the country.

Data Services wereoriginally started (1991) by Department of Telecommunication (DoT) through Packet Switch Exchanges at ten locations which expanded (1995) to 45 locations through National Internet Backbone (NIB)-I. Broadband Services to Indian customers was provided since 2005 by BSNL through NIB-II.

[1] DoT definition of Broadband as per notification dated 18 July 2013.

The wireline broadband service was made available by the Company on Asynchronised Digital Subscriber Line (ADSL) and Very High Digital Subscriber Line (VDSL) technology on a country wide basis, utilising the same copper cable used for providing basic telephone connection, which provided convergence of voice, video and data with a speed upto 24 Mbps[2]. Broadband capacities based on Passive Optic Fibre Network (PON) technology was procured (2009) to provide high speed data broadband services having speed upto 100 Mbps over fibre optical cable known as Fibre to the Home (FTTH).

Organizational Setup

The administrative and operational control of the Company is vested with the Board of Directors, headed by a Chairman and Managing Director (CMD) who is assisted by functional directors in charge of Consumer Fixed Access (CFA), Enterprise, Consumer Mobility (CM), Human Resources and Finance.

The wire line broadband services of the company are vested with Director (CFA) who is assisted by the General Manager (Network Planning Broadband) and the General Manager (Network Operations Broadband & Internet) at the Corporate office.

Scope of Audit

The company provides Broadband services via both Wireline and Wireless media, however the performance audit was undertaken only to examine the scenario of Wireline Broadband Services (including FTTH services) of the Company. The audit was conducted for the period 2011-12 to 2015-16 during June to September 2016 at the Corporate Office and 56 SSAs in 12 circles[3] out of the total 26 circles. In addition to the selected circles, issues relating to broadband services noticed during compliance audit of other circles were also included in the report. The audit covered the operational performance, capacity utilization, planning and procurement of wireline broadband (BB) equipment, customer satisfaction, marketing strategies, tariff policies, implementation of DoT policies relating to rural BB connections and Universal Service Obligation Fund (USOF) subsidies received in providing the BB services throughout the country.

Audit Methodology and approach

The Audit involved examination of records, files, reports of the Company relating to only wire line broadband services at the Corporate Office, selected Circle Offices and SSAs. Relevant files, records, reports relating to planning, maintenance and operation of BB services in BSNL, various recommendations of Telecom

[2] As per existing wireline broadband tariff plans provided in ADSL 2+ technology

[3] Gujarat, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh (E) and West Bengal

Regulatory Authority of India (TRAI), instructions issued by DoT from time to time and also files relating to Materials Management wing were also examined.

As a part of the performance audit, an online survey of customer satisfaction was also undertaken in respect of nine circles and 48 SSAs.

Audit Objectives

The objectives of the performance audit were to examine

- Extent of growth of broadband services of the Company;
- Whether the planning and procurement functions were effective;
- Whether the marketing polices were effective and revenue tariffs were efficient;
- Whether the planning and implementation of rural broadband were effectively undertaken by the Company and USOF subsidy targets were achieved;
- Whether the Quality of Service (QoS) of the Company and the level of its customer satisfaction vis-a-vis TRAI benchmarks were adequate; and
- Whether the maintenance and operation functions were effective, efficient and economic.

Audit Criteria

The main criteria for conducting audit were:

- Instructions/Circulars issued by DoT time to time;
- TRAI notifications on various QoS parameters, Corporate office circulars and instructions issued from time to time;
- Agenda and minutes of committees in relation to various issues pertaining to operation of BB services;
- Procurement manual of BSNL; and
- Budget documents, financial statements, MIS reports.

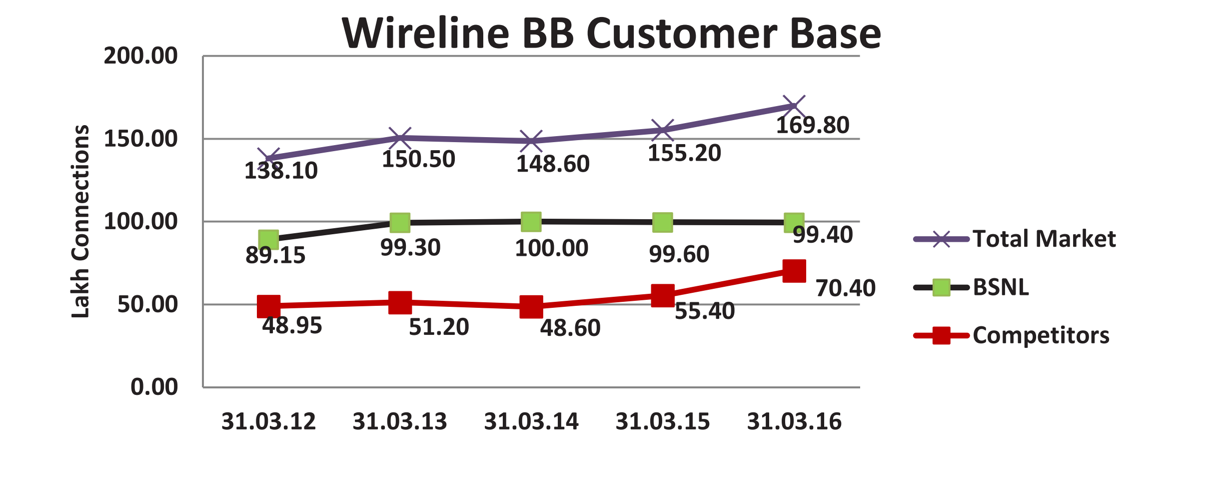
4.1.2 Audit Findings

4.1.2.1 Extent of Growth of Broadband services

A. Wireline Broadband Subscriber base

As per the Indian Telecom Services Performance Indicators reports of the TRAI for the period ended March 2012 to March 2016, the Overall Wireline Broadband

(WLBB) subscriber base in India, of the Company and of the competitors[4] is shown in the diagram below:



From the above, it could be seen that while the total market/share of competitors kept increasing, the subscriber base of BSNL was at the best at the same level/declined. The total market was on the other hand showing an increasing trend since 2014-15 because of addition of consumers by competitors. In this regard, Audit noticed the following:

i) Subscriber base data reported to TRAI is for inclusion in the Indian Telecom Services Performance Indicator Reports of TRAI, which serve as a reference document on telecom for various stakeholders, research agencies, analysts, etc.

The subscriber base figures provided for the TRAI report by the Company was misreported and inflated since the Company was reporting gross connection figures without excluding the disconnections (***Annexure II***) thereby not representing the actual subscriber base of the Company. During the period of Audit, the actual net subscriber base of the Company which had increased up to 56.34 lakh as on 31 March 2013 fell to 52.73 lakh[5] as on 31 March 2016.

ii) The trend of WLBB connections of the Company was moving directly in proportion to the trend of competitors until 2013-14. The competitors bounced back to growth trajectory of 14 *per cent* in 2014-15 and 27 *per cent* in 2015-16 after negative growth in 2013-14. The Company failed to follow the same and capture the growth in the market for 2014-15 and 2015-16 by realigning its marketing, tariff plans and quality of service.

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[4] The competitors provided connection over ADSL, FTTH and Cable TV which was covered as wireline broadband by TRAI.

[5] DSL BB 51.90 lakh plus FTTH 0.83 lakh

B. Trend of revenue earned

The revenue targets for wireline broadband and actual achievement for the Company for the year 2012-13 to 2015-16 are as follows:

Table 1

Targets and Achievements

Year	Targets for BB revenue	Revenue earned	Shortfall (Excess)	Percentage E=D/B *100
A	B	C	D	E
	(₹in crore)			
2012-13	4084.3	3658.9	425.4	10.4
2013-14	4479.3	4192.8	286.5	6.4
2014-15	4415.3	4574.7	(159.4)	(3.6)
2015-16	5000.0	4886.3	113.7	2.3

From the above it could be seen that though there was an increase in the revenue earning on year on year basis, there was a shortfall in achievement of revenue target fixed. The achievement in excess of target in 2014-15 was due to fixation of lower target as compared to that of 2013-14. The growth in revenue earned despite decline in Broadband connections was largely due to increase in tariff.

4.1.2.2 Declining capacity utilisation

A. Declining utilization of Wireline Broadband capacity

The Company had built up the WLBB capacities under ADSL/VDSL technology and Passive Optic Network (PON) technology. The utilization of WLBB capacity under ADSL/VDSL technology by the Company for the five years ending 2015-16 showed an year on year decrease and it came down from 55.5 *per cent* as on 31 March 2012 to 49.5 *per cent* as on 31 March 2016 as depicted in the table below:

Table 2

Capacity and Utilisation

Particulars	As on 31 March				
	2012	2013	2014	2015	2016
(in lakh connections)					
Capacity	94.58	102.45	102.45	104.95	104.95
Net Connections	52.55	56.34	53.30	52.56	51.90
Utilisation in *per cent*	55.50	55.0	52.0	50.0	49.5

Audit observed that despite poor utilization of existing capacity, the Company went ahead to further enhance its WLBB capacity during the period of audit, without any concrete marketing and tariff plans to promote the penetration of connections and to increase the subscriber base as discussed in paragraphs 4.1.2.4 B and C**.**

B. Poor utilization of Fibre to the Home (FTTH) capacity

The Company had procured 6.55 lakh ports of Fibre to the Home (FTTH) capacities (May 2009) based on Passive Optical based Network (PON) technology which could be utilized to provide high bandwidth broadband services such as Internet Protocol Television (IPTV), Voice Over Internet Protocol (VOIP) and Video on Demand. The Company was expecting 18.32 lakh consumers in various services under FTTH by December 2010 and 80 *per cent* capacity utilisation by December 2014.

In the Audit Report No. 20 of 2015, the Comptroller and Auditor General of India had commented on Imprudent Investment in the Project due to procurement without detailed market study, delay in commissioning, non provision of targeted services/connections leading to non-achievement of the objectives of the project.

In the Action Taken Note, Ministry informed (September 2015) that speed of customer acquisition had increased since February 2013 and it was expected that 40 *per cent* capacity would be utilized by December 2015. However, the total FTTH consumers as on 31 March 2016 which was 83653 in number has increased to only 113068 as on 13 December 2016 (17.3 *percent* of the built up capacity of 6.55 lakh) showing that the envisaged customer base could not be achieved even after target dates.

The Management of three circles[6] stated that demand for FTTH was less as the tariff plans were costlier. Also delay in laying of Optical Fibre Cable (OFC) upto consumer premises led to non-offtake of FTTH connections. Further, they stated that steps were taken for aggressive marketing and outsourcing of work to add new subscribers and numbers of customers were increasing.

The reply is not acceptable as laying of OFC to the consumer premises was a prerequisite to FTTH and the Company should have aggressively planned to speed up laying of OFC at consumer premises wherever possible to utilise the capacities built up and to further enhance the spread of faster internet Broadband services in the country.

C. Unwarranted purchase of Digital Subscriber Line Access Multiplexer (DSLAM) leading to idling of investment of ₹ 150.91 Crore

Government of India envisaged targets for Wireline Broadband (WLBB) connections of 200 lakh/400 lakh by December 2010/December 2012 respectively on a pan India basis. The Company had an installed capacity of 84 lakh WLBB connections (March 2010) and envisaged enhancement of its WLBB capacity to 90 lakh and to 200 lakh by similar dates as mentioned above. Keeping in view the

[6] Maharashtra, UP (E), Jharkhand

MoU targets[7], for providing additional 91 lakh WLBB connections up to June 2012, the Company decided (August 2010) to procure 32.20 lakh Digital Subscriber Line Access Multiplexers (DSLAM) with ADSL2+ line cards and VDSL line cards. DSLAM is a network device at telephone exchange that receives signals from multiple customer Digital Subscriber Line (DSL) connections and puts the signals on a high-speed backbone line using multiplexing techniques. The planning for procurement of the DSLAMs was made at the Corporate Office considering the spare installed capacity at Circles and the MoU targets for WLBB connections fixed by the Corporate Office, but without any study on market demand.

The procurement was envisaged to be made in two phases and accordingly the Company placed three purchase orders for DSLAM ports with ADSL/VDSL line cards under Phase I for providing 16.10 lakh connections as follows:

Table 3

Details of Purchase Orders placed for Procurement of DSLAM

Sl. No.	Name of the vendor	Date of Purchase Order	Total Price excluding Cenvatable Duties / Taxes (₹ in Crore)
1	M/s Sterlite Technologies Ltd, Noida	14 September 2011	52.59
2	M/s ZTE Telecom India Pvt Ltd, Gurgaon	24 December 2011	31.41
3	M/s Sterlite Technologies Ltd, Noida	28 August 2012	19.91
	Total		**103.91**

Further, addition to WLBB capacity was to be made through replacement of existing network switches[8] with combo ports (under Next Generation Network technology). Requirement of BB capacity addition was initially envisaged for 30 lakh ports (March 2010) which were subsequently reduced to 10 lakh ADSL2+/VDSL ports worth ₹ 47.00 crore[9]. The procurement of combo ports (ports which provided both voice and broadband from the same frame) was decided considering that it reduced the requirement of power, space and other infrastructure and also results in saving of Capital and Operating expenditure of the Company in offering BB and wireline services.

7 Memorandum of Understandings (MoU) is executed between the Administrative Ministry (Ministry of Communications) and BSNL which included the achievement of broadband connections as a parameter.

8 E-10B,FETEX and NEAX

9 Approximate procurement cost as intimated by the Management.

Audit observed that while estimating the additional capacity requirement at the time of planning, the Company erred in considering gross connections of 52.5 lakh instead of net connections of 42 lakh as on April 2010.

Before the commencement of the Phase II, the Company took inputs from circle on the requirements which did not support any need for further capacity addition. As a result, it was decided not to proceed with Phase II procurement of the ADSL/VDSL line cards.

Though the adoption of new technology in procurement of combo ports which was commissioned in 2014-16 was well intended, the addition of combo ports was an optional requirement and was done without considering the existing excessive capacities in WLBB at time of placing orders.

It was further noticed that after the capacity addition of 20.15 lakh[10] DSLAM ports during April 2011 to March 2016, the net accretion of consumers was only 3.42 lakh (connections) and the WLBB consumer base merely increased from 48.48 lakh (April 2011) to 51.90 lakh (March 2016). As the net accretions in connections were far lesser than additions in capacities, there was idling of the capacities leading to idle investment of ₹ 150.91 crore with annual interest outgo to the tune of ₹ 11.30 crore[11].

Management replied that combo ports were economical in operation and that the spare capacities would be shifted to Base Transmitting Stations (BTS) to reduce copper length resulting in increase of broadband speed.

Thus, it could be seen that procurement was made without assigning the market demand and shifting/utilization of spare capacities was decided (September 2015) only as an aftermath of excessive procurement.

4.1.2.3 Trend of new Broadband Connections and disconnections

The year wise details of new BB connections, disconnections and total connections for the five year period ending 2015-16 are shown below:

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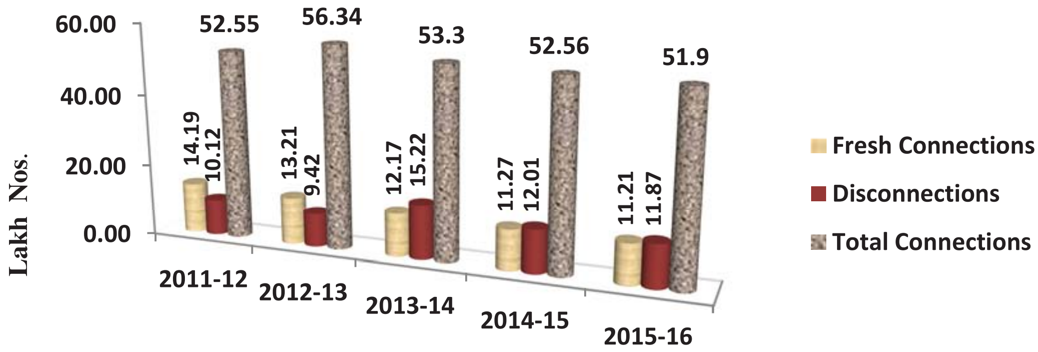
[10] The supply of 20.15 lakh DSLAM ports during April 2011 to March 2016 consists of supply of 1.74 lakh against purchase made prior to March 2011, 15.91 lakh against phase 1 and 2.50 lakh against Next Generation Network (NGN).

[11] Calculated based on average interest rate on bank loans availed by the Company.



It can be seen that the quantum of fresh connections being provided during the year was steadily showing a decreasing trend and that the quantum of disconnections started exceeding the new connections from 2013-14. This led to the erosion of the consumer base of the Company. The Company commissioned a study during 2014 to identify the reasons for such large scale disconnections as detailed in ***paragraph 4.1.2.7***.

It was also seen that there was large scale disconnections in basic telephone connections throughout the period from 2011-12 to 2015-16 which has reduced the market for cross selling of broadband connections to the existing consumers as given in Table below:

Table 4

Trend of BSNL Connections vis-à-vis Competitors

	BSNL		BSNL		Competitors	
Year	Basic telephone (Nos in lakh)	Year on Year Trend of B in percentage	Wireline DSL Broadband (Nos in lakh)	Year on Year Trend of D in percentage	Wireline Broadband (Nos in lakh)	Year on Year Trend of F in percentage
A	B	C	D	E	F	G
2011-12	224.68		52.55		48.95	
2012-13	204.46	-9.00	56.34	7.21	51.20	4.59
2013-14	184.88	-9.58	53.30	-5.40	48.60	-5.08
2014-15	164.12	-11.23	52.56	-1.39	55.40	13.99
2015-16	147.62	-10.05	51.90	-1.26	70.40	27.08

As may be seen from above, while basic telephony is gradually losing its appeal, overall WLBB is still a growth trajectory. However, WLBB from BSNL was declining requiring suitable measure to stem the decline.

Thus, the annual rate of BB disconnections exceeded that of fresh connections since 2013-14. It was also noticed that the quantum of disconnections was higher at 15.22 lakh and 12.01 lakh during the years 2013-14 and 2014-15 respectively than average of 11.69 lakh a year. As a matter of prudence, analysis of consumer behavior is of utmost importance to retain the existing consumer base and to broaden the market share.

4.1.2.4 Marketing and Broadband services

A. No Specific Allotment of Budget for Marketing and Broadband services

It was noticed that Wireline Broadband operation was depicted as a separate segment in the Annual accounts of the Company. However, scrutiny revealed that the Company did not provide any special focus for the marketing of Broadband services as there was no Budget planning and allocation specific to Broadband services. It was seen that except for allotting funds to SSAs, the Management at Circle level neither specified any proportion of funds to be utilized by SSAs for marketing of BB services nor gave any instructions regarding utilization of funds in such manner so that the targets for provisioning of BB connections may be achieved by SSAs.

On being pointed out, it was replied that circles could allocate the budget among Consumer Fixed Access(CFA), Consumer Mobility(CM), Enterprise Business(EB) and always ask for more funds, if need arises.

The reply is not convincing as the budgeting exercise of the Company did not have a specific focus on the marketing of BB services despite being a major segment of revenue.

B. Lack of emphasis on promotional plans

The Corporate office of the Company receives tariff proposals duly approved by tariff committees at Field units (Circle/SSAs) for introducing a tariff plan to increase the business under Broadband/FTTH tariff along with the comparative study of tariff plan of competitors or specific request from a group of consumers as the case may be. Further, there would be tariff proposals at the Corporate Office level as well. These tariff proposals are reviewed by the Tariff Committee at the corporate level which would analyse and decide the same for issuing tariff orders for SSA/Circle/Pan India. Audit noticed the following:

- During 2014-15 there was no pan India promotional plan introduced by the Company;
- In case of circle specific promotional orders, it was noticed that the number and coverage of the orders in subsequent years were less in number than that in 2011-12. There were six orders covering 12 circles in 2011-12 which decreased to one order covering one circle in 2013-14 and subsequently increased to five orders and five circles in 2015-16;

- Lack of initiative on the part of circles to take up matter with Corporate Office for issue of circle specific promotional offers/tariff orders for promoting the offtake of WLBB connections was quite evident. Circle specific promotional offers were not issued for nine circles[12] and similarly circle specific tariff orders were not issued for other nine circles[13] during the period of Audit.
- Each promotional order/tariff order plan was to be followed by the evaluation of the performance of the scheme to be received from the circle/SSA to enable the Management to sense the market perception for effective decision making in extending the period or expansion of the same for garnering more connections. Due to non-availability of information/reports, effectiveness of tariff orders could not be analysed in audit.

Inaction on the part of the Company to introduce adequate number of promotional plans/tariff orders resulted in decrease in number of connections of the Company where as that of the competitors were increasing as detailed in paragraphs 4.1.2.1 A and 4.1.2.4 C**.**

C. Upward revision of entry level plans

As per the guidelines (April 2010) followed by the Company, the net additions of consumers under the plan during the previous six months should also be considered before arriving at revision of tariff plans. Audit noticed that there was upward revision in the entry level tariff plan of '*FMC 250'* from ₹ 250 per month to ₹ 275 per month (10 *per cent* increase) in February 2014 even though approximately one lakh consumers had discontinued the connections under the plan during the last one year before revision.

Similarly as per the TNS[14] Survey conducted (April/ May 2014) by the Company, there was indication to show that disconnections on account of competitors offering connection at low start up cost was one of the factors. However, it was seen that the Company made (December 2014) the upward revisions to the tune of 36 *per cent* in the entry level tariff plan of '*FMC 275'* when it was again revised by the Company to ₹ 375 per month from ₹ 275 per month.

Audit is of the opinion that upward revisions in the entry level plans and lack of promotional plans could have led to the erosion of the consumer base of the Company. The Company, by increasing tariff charged, concentrated on

[12] HP,J&K, Andaman & Nicobar, Assam, Jharkhand, North East I & North East II, Uttaranchal & West Bengal

[13] Bihar, Orissa, Andaman & Nicobar, Assam, Jharkhand, North East I & North East II, Uttaranchal & West Bengal

[14] M/s. TNS India Private Limited is one of the largest research agencies

increasing Average Revenue per User (ARPU) from ₹ 612.73 (2012-13) to ₹ 790.70 (2015-16). In doing so, the market share of the Company which was 51.95 *per cent* in 2011-12 fell to 42.80 *per cent* in 2015-16. During 2014-16, when the net accretions were 20.97 lakh connections in wireline broadband market, the Company instead of adding consumers ended up losing 0.84 lakh connections.

4.1.2.5 Availability of Consumer Premises Equipments

The planning and procurement of Consumer Premises Equipment (CPE)/modems were done at the Corporate Office based on the MoU targets for WLBB connections and the stock in hand.

A. Delay in finalization of purchase orders and non-adherence to supply schedule resulting in short availability of modems

In case of purchase of modems, Audit observed that the minimum time taken to issue Purchase Orders (PO) after assessment of requirement had increased from four months in 2009-10 to ten months during 2011-12 and then to 24 months during 2012-13. Similarly, the time taken to complete delivery of modems from the date of placement of purchase order which was seven months in 2009-10 increased to 14 months in 2012-13 as detailed in ***Annexure III***.

Based on information supplied to Audit in respect of 16 circles[15] out of 26 Circles for the period of 2011-12 to 2015-16 the shortage of modems were noticed as detailed below:

- in eight circles[16] out of 16 circles in 2011-12, no ADSL modem had been received either by way of supply or by diversion from other circles.
- in 2013-14 and 2014-15, no modems were received by nine circles[17] and four circles[18] respectively.
- in spite of 'nil' balance for consecutive four years up to 2014-15, no ADSL modems were made available either by supply or diversion to NE-I circle.

The Company had internally observed (June 2012) that as there was acute shortage of Consumer Premises Equipment (modems), the demand for the modems in the field was not met for more than eight months. Further, the Company had attributed (September 2012) non-procurement of Modems in a time

[15] NE, PB, HP, AS, MP, Karnataka, UP(W), UP(E), TN, Kerala, Rajasthan, WB, JHKD, Odisha, Maharashtra, Gujarat
[16] Jharkhand, UP(E), MP, Punjab, HP, Tamil Nadu, Assam and NE(I)
[17] UP(W),NE-I, PB, HP, TN, WBTC, Karnataka, UP(E),Kerala
[18] NE-1, PB, KTK and Kerala

bound manner as a reason for non-achievement of MoU targets for 2011-12 and attributed non-availability of modems to loss of revenue.

In 2014-15, the Company went in for empanelment of suppliers for modems to cope up with the shortage of modems. As the delayed supply against purchase order placed in 2014-15 started flowing in, it lead to accumulation of stock of more than 10,000 nos. each in seven circles[19] out of 16 circles as on 31 March 2016; the empanelment had to be accordingly withdrawn in May 2016.

This indicates that the Company failed to understand the pulse of the market. While during 2011-12 it failed to tackle the non-availability of modems, demand for its services vanished when the Company procured modems during 2014-15 and had to withdraw the empanelment of vendors in May 2016.

B. Inability to ensure timely receipt of supply

The Company floated (August 2013) techno-commercial bid for procurement of ten lakh Type II (Wifi enabled) Modems. After the processes of evaluation, e-reverse auction and price negotiations with the L1 bidder (M/s Teracom Infosolutions Private Limited) and L2 bidder (M/s Syrma Technology Private Limited), the Company finalized the rate at ₹ 1178.60 per modem and procured the equipment.

It was seen that the purchase order for six lakh modems which was placed during October 2014 (14 months after floating of tender) wherein the supply, which was to be completed by April 2015 was extended by 8 months up to December 2015. The second purchase order for four lakh modems was placed only during March 2015 which was completed after September 2015.

Hence, it could be seen that the Company could not ensure timely receipt of modems from the vendors. Thereby, the Company also lost business opportunity of garnering more broadband connections by providing prompt service and meeting consumer demands.

4.1.2.6 Quality of Service

As per the Quality of Service (QoS) of Broadband Service Regulations 2006 (11 of 2006), the Telecom Regulatory Authority (TRAI) w.e.f January 2007 had set benchmarks for maintenance of QoS of broadband. The reporting procedure required the service providers to submit the Performance Monitoring Reports on the QoS benchmarks for all the parameters in the format as prescribed by the Authority on Quarterly basis. As per regulation 3A of the principal regulations (Quality of service of Broadband Service Regulations 2006), if a service provider providing Broadband service fails to meet the benchmark of QoS parameter

[19] UP(W), MP, Gujarat, Punjab, Karnataka, Odisha, Maharashtra

specified under serial (i) to (viii) of regulations(3), it shall, without prejudice to the terms and conditions of its license, or the Act or rules or regulations or orders made, or directions issued, there under, be liable to pay an amount, by way of financial disincentive, not exceeding rupees fifty thousand per parameter and in case of second or subsequent such contravention, to pay an amount not exceeding one lakh per parameter for each contravention, as the Authority may, by order direct.

Audit findings regarding QoS are given in the following paragraphs:

A. Non-compliance with QoS guidelines in respect of service provisioning of New Broadband Services

TRAI specifies that 100 *per cent* connection should be provided within 15 days from the date of registration for new connection. Management had reported to TRAI that 100 *per cent* provision of broadband connections was done within 15 days of registration of applications during the period 2014-15 and 2015-16. However, Audit scrutiny revealed that there were delays in provision of new Broadband connection beyond 15 days as detailed below:

- Out of 1.08 lakh applications received during 2014-15 in 21 SSAs[20] of ten circles[21], only 0.96 lakh BB connections were provided within the stipulated time. 8055 applications were pending for 15 days to 30 days and 3043 applications were pending for more than 30 days as detailed in ***Annexure IV***.
- Similarly, in 22 SSAs[22] of ten circles[23], out of 1.24 lakh applications registered during 2015-16, only 1.11 lakh broadband connections could be provided within 15 days. It was also noticed that 7167 applications were pending after 15 days and 3694 applications remained pending even after 30 days.
- It was also seen in Rajasthan Circle that as per Business intelligence report generated from CDR in the selected SSAs, the percentage of connections that could be provided within 15 days was in the range between 73.16 to 98.33 during the year 2014-15 and 2015-16 whereas the circle's performance monitoring report in respect of selected SSAs wrongly showed provision of connections within 15 days as 100 *per cent*.

[20] Vadodara, Indore, Ujjain, Ratlam, Jabalpur, Jamshedpur, Kota, Sriganganagar, Udaipur, Ajmer, Jodhpur, Jaipur, Dakshin Kannada, Hubli/Dharwad, Belgaum, Kolkata, Kharagpur, Ludhiana, Mirzapur, Bhubaneswar, Kannur

[21] Gujarat, M.P, Jharkhand, Rajasthan, Karnataka, West Bengal, Punjab, UP(E), Odisha, Kerala

[22] Vadodara,Indore,Ujjain,Ratlam,Jabalpur,Jamshedpur,Kota,Sriganganagar, Udaipur, Ajmer, Jodhpur, Jaipur, Dakshin Kannada, Hubli/Dharwad, Belgaum, Kolkata, Kharagpur, Ludhiana, Lucknow, Mirzapur, Bhubaneswar, Kannur

[23] Gujarat, M.P, Jharkhand, Rajasthan, Karnataka, West Bengal, Punjab, UP(E), Odisha, Kerala

This indicated that, the figures furnished in Monthly Performance Monitoring Report (MPMR) have been misreported to TRAI and wrongly inflated to show better performance and avoid penalty.

B. Non-compliance with QoS parameter pertaining to responses to customer calls

As per TRAI benchmarks of Quality of service, the response time to the customer for assistance, is to ensure that more than 60 *per cent* of calls are answered by the operator (Voice to Voice) within 60 seconds and more than 80 *per cent* of calls gets answered within 90 seconds. Scrutiny of records revealed the non-achievement of target during 2013-14 and 2014-15 as detailed in ***Annexure V***:

The non-achievement of specified parameters resulted not only in dissatisfaction among the subscribers but also in TRAI imposing financial disincentives of ₹8.00lakh.It was seen that instead of addressing the issue, Management tried to attribute the failure to attend to responses to the customers disconnecting the call even before hearing the announcement or before the threshold time set in IVRS.

4.1.2.7 Inaction of the company to contain disconnections

The Company had undertaken a Wire-line Broadband Lapser Study (April/May 2014) engaging M/s TNS India Private Limited, Gurgaon (TNS Survey) which was based on sample of 500 each users from six cities[24] with the objective of understanding the reasons for surrender of WLBB connections and identify corrective actions for same[25]. The major reasons identified were poor surfing speed, frequent disconnections due to poor line conditions, quality of broadband and compliant management. It was revealed that 61 *per cent* of former BSNL WLBB customers who had surrendered the broadband connection due to poor surfing speed and frequent disconnection of broadband had switched to other service providers and 85 *per cent* were satisfied with the other service provider.

The Company had also been collecting information on reasons through forms from customers who have disconnected/applied for disconnections of WLBB services. A test check of such forms filled in by 634 customers during 2015-16 at four[26] Customer Service Centres spread over Bangalore Telecom District of Karnataka circle was scrutinized during audit. It was seen that customers had filled in the feedback in only 334 forms and the remaining 300 forms had 'Nil' feedback. The feedback in these 334 forms were as follows:

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[24] Bangalore, Hyderabad, Chandigarh, Ahmedabad, Kolkota, Pune

[25] The Outcome of the performance indicators of Lapser survey have been examined during the survey conducted by audit as discussed in paragraphs 4.1.2.8

[26] Rajajinagar CSC, BTM Layout, Banashankari II Stage, Kammanahalli CSC

Table 5

Results of Feedback from Customers

Reason for surrender	No. of customers	Out of 634 in *percent*
Slow speed of internet connection	334	52.68
Cost/rentals are high	154	24.29
Quality/technical/security issues with connection	138	21.77
Maintenance Issues	138	21.77
Modem related	75	11.83

It was also observed that 39.91 *per cent* of consumers switched to another Internet service provider due to better broadband speed/data on similar cost. 22.91 *per cent* of disconnected consumers advised BSNL to improve the internet speeds for considering using BSNL services.

The Company, having identified the reasons for disconnections, instead of aggressively addressing the problems and enhancing the consumer satisfaction had set a modest target of 1.2 lakh as a parameter in MoU (2015-16) for bringing back the disconnected broadband connections against an average of 11.69 lakh disconnections annually. Against the same, a total of 2.93 lakh connections disconnected due to nonpayment were shown to have been reconnected in 2015-16.

In spite of the exercise in 2015-16 of reconnection of disconnected lines due to non-payment, a total number of 11.87 lakh fresh disconnections were reported during the same period. This shows that the significant reasons which led to the alarming rate of disconnections such as poor quality of services, lack of reasonable tariff and maintenance issues were not adequately addressed by the Management.

4.1.2.8 Customer Survey conducted as part of Performance Audit

As part of the Performance Audit, a survey of customer satisfaction was undertaken during July-October 2016. The survey was to be conducted by the Company at the instance of Audit in 56 specified SSAs of the 12 selected circles. However, the Company conducted the survey only in nine[27] out of 12 circles covering 48 out of 56 selected SSAs. The following were the questions asked in the survey and the responses there to:

[27] Gujarat, Karnataka, Kerala ,Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu and UP(E)

Table 6

Responses to the Survey

Survey Question	Survey Response (% in brackets)		
a) Are you satisfied with the monthly charges vs internet speed	No (69.59%)	Yes (30.41%)	
b) Are you satisfied with modem supplied by BSNL	Not Applicable[28]	Not Satisfied (46.22%)	Satisfied (53.78%)
c) Time Taken by BSNL to rectify the complaints lodged, if any	Within 3 days (49.87%)	Beyond 3 days (32.28%)	Closed out (17.85%)
d) Overall performance of BSNL broadband services rated by you	Poor (43.06%)	Good (50.10%)	Outstanding (6.84%)

The results of response to the above questions indicated general dissatisfaction of customers with the broadband services of the Company as detailed in succeeding paragraphs.

A. Speed vis-à-vis tariff

It was seen that low speed and increased tariffs have continued to be a matter of dissatisfaction of the Company's Broadband customers. As per the TNS survey conducted during May 2014, 68 *per cent* of ex-customers do not want to reconsider the Company owing to 'poor surfing speed' and frequent disconnection of broadband. The issue had not been addressed by the Company till date as seen from the recent findings of the customer survey conducted during July-October 2016 as part of the audit. Out of 1,58,454 responses received, 1,10,270 (69.59 *per cent*) had expressed dissatisfaction over speed vis-à-vis tariff charges.

Thus, in view of the high levels of dissatisfaction among the WLBB customers continuing even after two years of the TNS survey of May 2014, Management needs to take immediate measures to properly address the issue of poor surfing speed.

B. Quality of Modems supplied

In the survey conducted by Audit, 1,58,457 customers responded of whom 1,10,885 were provided with Modems by BSNL. Out of these 1,10,885 customers, 51,283 were not satisfied with the modems supplied by the Department and the level of dissatisfaction was 46.22 *per cent*. It was seen that Management failed to ensure rectification of faulty Modems from vendors in a time bound manner. The faulty Modems were leading to customer dissatisfaction which may result in loss of customers. The Company therefore needs to address the issue of poor quality of modems.

[28] Represents customers who did not procure modems from BSNL

C. Delay in rectification of faults

It was seen from the survey that, out of 1,58,447 responses received regarding rectification of faults, 79,020 (49.87 *per cent*) have reported that the faults had been addressed within 3 days, 51,151 (32.28 *per cent*) reported the time taken for fault to be repaired was beyond 3 days and 28,276 (17.85 *per cent*) had reported that the fault complaints were closed without rectification of the same.

It was seen during the Audit that Management had reported to TRAI that they had achieved the TRAI parameter of 99 *per cent* rectification of faults within 3 days. The finding of the recent survey and the findings of paragraph 4.1.2.11 B directly contradicts the Company's claims before the TRAI and calls for a thorough review by Management of its system of addressing the issue of rectification of faults and of the reports furnished to concerned authorities.

D. Overall quality of BSNL Broadband services as per survey

In the TNS survey conducted by the Company in six cities covering 3000 customers in May 2014, 26 *per cent* of existing and ex-customers had indicated high level of dissatisfaction.

In response to the customer survey conducted by Audit, out of the 1,58,457 responses, 68,239 (43.06 *per cent*) had rated the services as poor, indicating that there were no improvement in the level of dissatisfaction. Therefore, it is seen that Management had not undertaken significant measures to improve the quality of services rendered. This stands confirmed by the increasing number of disconnections over the past two years.

4.1.2.9 Provision of Rural Broadband

A. Poor loading of Rural DSLAMS

Audit observed that as of March 2016, in the 12 circles test checked, 14503 DSLAMS were allotted for rural BB connection. In ten[29] circles, against the equipped capacity of 11.19 lakh broadband connections, 1503 DSLAMs were with zero connections and 3852 DSLAMs had provided a mere 1 to 10 *percent* of the capacity. During the years 2011-12 to 2015-16, in seven circles test checked, 24.23 to 33.05 *percent* of the DSLAMs allotted for rural BB connections were having connections between 1 and10 *per cent only*, as shown in ***Annexure VI***.

From the above, it may be seen that there has been abysmal utilization of the total equipped capacity of the lines. During the above period, there was increase in the percentage of DSLAMs having zero connections, in spite of BSNL's policy of closing of exchanges with less than ten *per cent* connections.

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[29] Gujarat, Tamil Nadu, Odisha, Rajasthan, WestBengal, Maharashtra, Jharkhand, MP, UP(E), Karnataka

Further, though all rural exchanges in the test checked circles were loaded adequately for provision of broadband connectivity, connections to the extent of even 50 *per cent* of equipped capacity was not achieved in the test checked Circles, as per ***Annexure VII***. In seven circles[30], there has consistently been less than 50 *percent* utilization.

Four Circles[31]replied that DSLAMs were installed in rural areas to cover USO sites on the instructions of Corporate Office. The capacity was underutilized due to various reasons like increase of Mobile operators who were providing data service at low tariff, frequent power failure in rural exchanges, lack of computer literacy, non-affordability and non-awareness of internet. Further, it was stated that all efforts were taken to increase the rural broadband connections in rural areas.

The replies are not tenable as the DSLAMs having 'Zero' connection or Single digit connections were not given special attention to improve the revenue of the Company. Gross under-utilization/non-utilization of DSLAMs indicated poor planning on the part of Management as the villages/locations were not identified properly to ensure the optimum utilization of DSLAMs, the required capacity of DSLAMs was not assessed properly, marketing of rural BB was inadequate at Circle level and separate marketing of rural BB was not done by SSAs test checked. Management should draw up marketing plan to bring in customers so that the spread of Broadband internet connectivity in rural areas can be achieved and DSLAMs could be properly utilized. The Company should also offer a customized tariff plan suitable to the regions within the stipulated rules so as to give boost to rural internet spread.

B. Inadequate Rural marketing

As per Universal Service Obligation Fund (USOF) agreement, the Company shall give wide publicity to the scheme by way of appropriate marketing tools.

It was seen that as per Impact Assessment Study of Rural Wire Line Broadband Scheme conducted in November 2012, 57.10 *per cent* attributed lack of knowledge about internet/Broadband as the main reason for not using the broadband. The report also highlighted the need for aggressive marketing campaigns and innovative adoption schemes towards the untapped market. The report also specified the need for developing the marketing strategy targeted at students and Government Institutions in view of demand potential.

Scrutiny of records revealed that there was no exclusive advertisement for rural broadband services at Circle/SSA levels. Similarly, no specific marketing activity

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30 Gujarat, Rajasthan, West Bengal, Maharashtra, Jharkhand, MP, UP(E)
31 Madhya Pradesh, Jharkhand, Tamil Nadu, Maharashtra

was taken up for popularization of rural BB service such as highlighting the availability of BB connection at ₹ 99 per month, Browsing of Kiosk at ₹ 5 per hour, etc. which shows inaction of the Company.

C. Shortfall in provision of connections and kiosks under Universal Service Obligation Fund Scheme

The Company entered into Universal Service Obligation Fund (USOF) agreement with Department of Telecommunications (January 2009) towards provision of Wireline Broadband connectivity in rural and remote areas from existing Rural and Remote Telephone exchanges. This entailed setting up of internet kiosk, providing of broadband connections from 28672 rural exchanges in order to promote availability of broadband facilities in rural and remote areas as detailed in Table below:

Table 7

Broadband facilities under USOF Scheme

Particulars	Kiosks	Connections
Parameters	One internet kiosk per ten DSLAMs ensuring geographical distribution of at least one kiosk in each SDCA[32]	Six connections to Government institutions and 25 individual connections per DSLAM in 28672 rural exchanges
Target numbers to be achieved by January 2015	28672 kiosks	888832 connections
Subsidy for connections/kiosk made functional at the end of each quarter	In the form of equated front loaded subsidy for three years from the date of installation or till the validity of the Agreement (January 2018), whichever is earlier.	In the form of front loaded and equated operational subsidy for two years from the date of installation or till the validity of the Agreement (January 2018), whichever is earlier
Penalty for shortfall in rollout obligation	Liquidated Damages at the rate of 2.5 *per cent* of front loaded subsidy/annual equated subsidy for each calendar month of delay or part thereof which remain unfulfilled, subject to a maximum of 10 *per cent* of the front loaded subsidy/annual equated subsidy for those wireline broadband connections /kiosks.	

In respect of achievement of provisioning of kiosks and connections it was observed that:

- The Company in its achievement reports stated that 15671 kiosks (January 2015) were installed under USOF scheme which fell to 15424 kiosks (January 2016) as against 28672 kiosks targeted. Further 6,56,345 connections (January 2015) were installed under USOF scheme which fell to 465,160 connections (January 2016) as against 888832 connections targeted.

- Test check in 12 circles by Audit revealed that in 11 circles[33], as detailed in ***Annexure VIII,*** there was shortfall in installation of 7471 kiosks within the roll out period resulting in potential loss of USO subsidy of ₹ 65.01 crore. The non-achievement of targets entailed actual recovery of ₹ 3.55 crore as liquidated damages by Controller of Communication Accounts (CCA) offices. Further potential levy of liquidated damages of ₹ 1.57 crore was warranted.
- Testcheck in 12 circles revealed that in 11 circles[34], there was short provision of 3,09,122 connections within the roll out period resulting in potential loss of USO subsidy of ₹ 190.55 crore. Non-achievement of targets entailed actual recovery of ₹ 5.36 crore as liquidated damages by the CCA authorities and likely levy of liquidated damages of ₹ 5.43 crore.
- As per the MIS reports of the Company for January 2015, in nine circles[35] apart from the 12 circles discussed above, short provision of connections by 79,964 was seen leading to potential loss of USO subsidy of ₹ 42.98 crore[36].

Management stated that Low literacy rate, low internet awareness and non-affordability of PCs, non-availability of power supply/frequent disruption in power supply were reasons for shortfall in offtake of kiosks/connections.

4.1.2.10 Maintenance and Operation of Broadband Service

A. Issues in Annual Maintenance Contracts (AMC) contracts

As per the extant provisions, the terms and conditions of the Purchase Orders (PO) entered into by the Company with various vendors provide that the supplier shall quote for year wise comprehensive Annual Maintenance Contract (AMC) which shall become effective at the end of the warranty period. The circles may sign AMC congruously with expiry of warranty which means that there should not be any gap between the date of expiry of warranty and date of start of AMC. However, circles will be at the discretion to decide the quantity for entering into AMC as per the requirements.

33 Punjab, Kerala, West Bengal, Jharkhand, Gujarat, Rajasthan, UP(E), Maharashtra, Madhya Pradesh, Karnataka, Odisha

34 Punjab, Kerala, West Bengal, Jharkhand, Gujarat, Rajasthan, UP(E), Maharashtra, Madhya Pradesh, Karnataka, Tamil Nadu

35 A&N, Assam, Bihar, Chhattisgarh, Haryana, NE-I, UP(W) Uttaranchal, Andhra Pradesh

36 79964 x ₹ 4500(FLS) (approx) = ₹ 359838000 + 79964 x ₹ 175 (approx) x 5 = ₹ 69968500

As per Rule 204 (v) of GFR, no work should be commenced without proper execution of an Agreement. It also specifies that a Performance Bank Guarantee (PBG) at the rate of 5 *per cent* to 10 *per cent* of the PO value was to be submitted by the vendor for compliance of the Purchase order conditions.

As per the general conditions of the tenders floated by the Company, the vendors were required to produce a Bank guarantee (BG) two months before the expiry of the PBG for AMC. Further, as per the PO conditions for supply of items, the PBG should be forfeited either on default of vendor to submit BG for AMC or to enter into AMC within two months before expiry of the warranty period of supply of equipment.

Audit scrutiny of the AMCs in respect of broadband equipment[37]entered by BSNL during the Audit period revealed the following:

- There were delays ranging from 55 days to more than three years in signing the AMC agreements in 45 cases[38] as summarized below:

Table 8

Delays in signing of AMC

Period of delay (in months)	No of AMCs
Up to 6 Months	16
6 Months to 1 Year	7
1 Year to 3 years	18
3 years and above	4
Total	**45**

Since April 2013, the Broadband Network circle (BBNW) of the Company was made the nodal circle for monitoring of AMC of broadband equipments. Prior to this period, Karnataka Telecom Circle signed the AMC agreements. Karnataka Circle stated that there were delays in signing of AMC agreements because of various reasons attributable to Company and vendors. However, the intervening period was well covered not only by the agreement but also the vendors maintained the supplied equipments. BBNW stated that even though signing of AMC agreements were delayed or signed with retrospective dates, during this period purchase order bank guarantees of higher value than AMC PBGs, were extended for full period by the vendors. Further, AMC payment was paid by respective circles on quarterly basis based on reports received from SSAs after deducting necessary penalties.

37 DSLAMs, Modems, Line cards and other networking equipments

38 ₹ 17.45 crore was paid in four circles towards AMC of broadband equipments to the vendors for the period February 2009 to June 2016. The total AMC amount (ceiling limit) as per PO with respect to 45 AMC agreements signed with retrospective effect was ₹ 246.54 crore.

The reply justifying the delay in signing of AMC on account of vendors assurance was not acceptable as the terms and conditions of the PO were not adhered to. The delay in signing of the agreements resulted in delay in providing AMC services by the vendors. Also the Company did not exercise the option of encashment of bank guarantee for not entering into AMC on time and submission of BG for AMC. Further the Company cannot make the vendors legally binding in the absence of AMC agreements in the event of non-provision of maintenance services. The payment on account of AMCs made during that period without having a valid agreement was irregular.

- As per the conditions of AMC, quarterly schedule of preventive maintenance during the AMC period was to be submitted by the vendor in advance. However, scrutiny of records in West Bengal Circle revealed that no such document was submitted by the vendors. Further, instances of non-authentication, non-mentioning of software details, working conditions, etc., were noticed in the preventive maintenance reports submitted by the vendors after signing of AMCs. Therefore, it cannot be ensured that maintenance services, preventive or otherwise, were being rendered by the vendors during the period between effective date of commencement of AMC and actual date of signing AMC contracts.

- Audit scrutiny also revealed various deficiencies in AMCs entered into with various vendors:

  a) Clause 19.4(iii) of the AMC agreement for cards/modules/modems entered into with M/s ZTE Telecom India Private Limited (ZTE) stated that not more than one *per cent* of the equipments would be declared as Repair Not Possible (RNP) by the supplier. However, it was noticed that in Karnataka, Madhya Pradesh and Gujarat circles, ZTE had declared as much as 22 *per cent* to 42 *per cent* equipments as RNP, which hampered the smooth operations of the Company.

  The Company acknowledged this and stated that following discussions in BSNL CO (Sept 2016), M/s ZTE accepted to put efforts once again to repair all these types of cards.

  b) There was lack of efforts on the part of the Company in tying up with AMCs in a transparent manner after the expiry of the initial tenure. Even though the Company was aware of the ensuing expiry of AMCs, the AMCs were extended to the same vendors without exploring the tendering option. It was also noticed that AMCs extended with three vendors during 2015-16 for similar equipments were at different rates ranging from 7 *per cent* to 15 *per cent* of the PO value whereas the then existing agreements with all three vendors were within the range of 7 *per cent*. Resultantly, the excess expenditure as detailed in ***Annexure IX*** incurred over and above the lowest rate of 7 *per cent* worked out to ₹ 2.76 crore up to September 2016 with committed excess liability of ₹ 8.22 crore.

B. Non-levy of penaltyfor delay in repairing of equipments

As per terms and conditions of the AMC agreements penalty applicable for non-repair of:

- Cards, was ₹ 500 per day beyond 15 days and up to 30 days and ₹1000 per day beyond 30 days to 60 days from the date of dispatch. This was subject to capping of penalty which shall not exceed 20*per cent* of AMC amount in a quarter subject to 25*per cent* of Annual AMC amount in last quarter of a year or 0.5*per cent* of the PO value whichever was higher.
- CPEs, was ₹ 100 per day beyond 15 days up to 30 days of delay and ₹ 200 per day beyond 30 days from the date of dispatch of CPE.

Audit observed the following in this regard:

- In Odisha Circle, wherein the vendor failed to repair the cards within the turnaround period of 60 days, while calculating the penalty, the circle failed to apply the Annual AMC capping clause resulting in a short recovery of penalty amounting to ₹ 6.86 lakh in ten SSAs[39] during the period January 2011 to June 2015 from vendor, Nokia Siemens Networks Private Limited, New Delhi.
- In Bangalore Telecom District of Karnataka Circle, the penalty of ₹ 1.40 lakh was not levied for the delay of one to 82 days in the receipt of 2487 Nos of repaired modems from two vendors viz UT Starcom India Private Limited, Gurgaon (₹0.94 lakh) and ZTE Telecom India Private Limited, Gurgaon (₹0.46 lakh).
- In Mysore SSA of Karnataka Circle, no penalty was deducted from the vendor for delayed return of eight cards beyond 45 days which worked out to ₹ 3 lakh[40]. Similarly, in Mysore SSA of Karnataka Circle, instance of non-levy of penalty to the tune of ₹ 8.64 lakh for a delay of 124 days was noticed in respect of repair of 80 modems during 2015-16.

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[39] Balasore, Baripada, Berhampore, Bhubaneswar, Bolangir, Cuttack, Dhenkal, Koraput, Rourkela, Sambalpur

[40] The penalty for delayed receipt works out to ₹ 3 lakhs (₹ 500x 15 daysx8 Nos of cards and ₹ 1000 x30 days x 8 cards). Penalty calculated for 45 days i.e. from 15 to 60 days, since the date of receipt was not available.

4.1.2.11 Other Issues

A. Undue favour to MSME vendor

In October 2014, BSNL floated an e-tender for procurement of one lakh Type-I non Wi-Fi ADSL2+ Modems. Against this tender, techno commercial bids were received from three vendors namely, M/s Pramod Telecom Private Limited (PPTL), M/s Supernet Infocomm Private Limited and M/s Zyxel Technology India Private Limited. After evaluation of the technical and financial bids, the committee recommended procurement of Modems from M/s Zyxel Technology India Private Limited being the L1 bidder and M/s PPTL being Medium Small and Medium Enterprise (MSME) bidder in the ratio of 80:20. After placing Purchase Order(August 2015)on M/s Zyxel Technology India Private Limited, PO was also placed (November 2015) on M/s PPTL for 20,000 modems.

As per the MSME Act, 2006 and clarifications thereto, registered MSMEs participating in the tender and quoting price within price band of L1+ 15 *per cent* are allowed to supply up to 20 *per cent* of the total order quantity by bringing down their price at par with L1 price where L1 is a non-MSME. Therefore, the quoted unit price of M/s PTPL of ₹ 614.84 should have been brought down to ₹ 569.37 as quoted by the L1 bidder. However, BSNL extended an undue favour on M/s PPTL by making payment at higher unit price of ₹ 614.84 consequently leading to excess payment.

B. Misreporting to TRAI on performance of fault clearance

TRAI guidelines on QoS in respect of Fault repairing provide that 'greater than' 90 *per cent* of the faults registered are to be repaired within the next working day and 99 *per cent* of the faults registered are to be repaired with 3 working days.

- Rebate in rental is provided suo-moto by the Company to subscribers when the services are interrupted over a prolonged period due to departmental reasons. Since third quarter of 2013-14, it was seen that the Company had been reporting the compliance data for this parameter in such a manner that it is complying with the TRAI parameter in all the quarters. However, test check of records in selected SSAs revealed that during 2014-15, in 24 SSAs[41] of 11 circles[42], the fault clearance by next working day ranged between a mere 12 *per cent* to 89 *per cent* against the TRAI benchmark of 90 *per cent*.

[41] Surat, Indore, Ujjain, Ratlam, Bhopal, Jabalpur, Salem, Kota, Sriganganagar, Udaipur, Ajmer, Jodhpur, Jaipur, Hubli, Dharwad, Belgaum, Kolkata, Ludhiana, Lucknow, Jhansi, Gorakhpur, Allahabad, Bhubaneswar, Kannur, Nasik

[42] Gujarat, MP, TN, Rajasthan, Karnataka, WB, Punjab, UP(E), Odisha, Kerala and Maharashtra

Similarly, during 2014-15, in 26 SSAs[43] of 11 circles[44], the fault clearance within three working days ranged between just 22.95 *per cent* and 98.50 *per cent* against the TRAI benchmark of 99 *per cent*. Consequently, owing to non-clearance of faults, the Company had to pay ₹ 12.89 lakh as rent rebate to 1282 customers. Similarly, in 2015-16 in 25 SSAs[45] of 11[46] circles, the fault clearance within three working days ranged from only 26.29 to 95.87 *per cent* leading to a rent rebate of ₹ 6.98 lakh to 1792 customers. It was, however, seen that the Company had misreported payment of rent rebate to TRAI during same period as 'nil'.

- A survey conducted by BSNL through TNS in May 2014 also confirms that the percentage of fault clearance within one day was a mere and that within 3 days is only 65.

Non-clearance of faults in timely manner has been a matter of consumer dissatisfaction and one of the major reasons for disconnection of BB services of BSNL by the subscribers.

C. Shortfall in achievement of connections under National Mission of Education through Information and Communication Technology (NMEICT) Project

Ministry of Human Resource Development (MHRD) had envisaged a plan to equip all the Colleges and Universities with Broadband services with Virtual Private Network over Broadband (VPNoBB) in collaboration with the Company under National Mission of Education through Information and Communication Technology (NMEICT). The project approved in 2009 was envisaged to be completed in three phases over three years by 2010-11 which entailed provision of at least 20 VPNoBB connections in about 20000 colleges.

As per the agreement, the cost of providing the VPNoBB connections was to be shared by the Company (10 *per cent*) by allowing discount in rent bills and the remaining 90 per cent was to be met by the Ministry/the concerned institution sharing the same in the ratio of 3:1 The targeted colleges later increased to 31876 colleges which was scrutinized by the Company and after excluding 9957

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43 Surat,Indore,Ujjain,Ratlam,Bhopal,Jabalpur,Salem,Jamshedpur,Kota,Sriganganagar, Udaipur, Ajmer, Jodhpur, Jaipur, Hubli/Dharwad, Belgaum, Kolkata, Ludhiana, Lucknow, Kanpur, Jhansi, Gorakhpur, Allahabad, Bhubaneswar, Kannur, Nasik

44 Gujarat, MP, TN, Jharkhand, Rajasthan, Karnataka, WB, Punjab, UP(E), Odisha, Kerala and Maharashtra

45 Surat, Indore, Ujjain, Ratlam, Bhopal, Jabalpur, Salem, Jamshedpur, Kota, Srigangapur Udaipur, Ajmer, Jodhpur, Jaipur, Hubli/Dharwad, Belgaum, Kolkata, Ludhiana, Lucknow, Jhansi, Gorakhpur, Varanasi, Allahabad, Bhubaneswar, Kannur

46 Gujarat, MP, TN, Jharkhand, Rajasthan, Karnataka, WB, Punjab, UP (E), Odisha and Kerala.

colleges as technically not feasible from the same identified 21919 colleges were to be provided with 4,38,380 VPNoBB connections.

Against the target of 4,38,380 VPNoBB connections only 1,96,736 number (44.87 *per cent*) VPNoBB connections were provided (September 2016) leading to a shortfall of 2,41,644 numbers of connections[47]. The shortfall has resulted in non-fulfilling of the objectives of MHRD in providing the Broadband facilities to Colleges and the Company also lost opportunity to earn a revenue of ₹ 108.74 crore[48] per annum.

4.1.3 Conclusion

The Company, despite having 50 *per cent* of its wireline broadband capacity lying unutilized, went into unwarranted augmentation of capacity. In procurement, there were instances of non- ensuring of supplies in a timely manner, extending undue favour to vendors, etc. As regards compliance with Telecom Regulatory Authority of India (TRAI) parameters on Quality of Services (QoS), there was scope for further improvement on part of the Company. Issues relating to maintenance of the broadband equipment such as delay in entering into Annual Maintenance Contract (AMC), non-levy of penalty on defaulting vendors, etc. hampering quality of broadband services were also noticed.

Inspite of the fact that Broadband being a prominent segment, the Company did not specifically focus on promotion and marketing of broadband services. Despite identifying the reasons for heavy disconnections through a survey, the company failed to address the causes and prevent further disconnections. There were indications to show that the tariff planning was not aligned to consumer behaviour and extant guidelines of the Company which may lead not only to non-retention of existing consumers but also non-expansion of existing consumer base. The social objective of providing broadband connections in rural areas and Colleges under various Government schemes were also not met.

4.1.4 Recommendations

The Company having built up capacities should ensure availability of final leg connectivity till consumer premises, proper services under AMC for broadband equipment at exchanges and resolution of consumer complaints in a timely manner. The Company should ensure availability of around the clock connectivity of broadband with assured speeds. It needs to revisit its tariff plans and value added services offered after proper market study so that it can keep up with the competitors and capture new consumers. It need to ensure entry level plans at lower tariff, timely promotional schemes, publicity of the various

[47] 20 VPNoBB connections were to be provided by third Quarter.
[48] 241644 x ₹ 4500

tariff/schemes. This will ensure optimal utilisation of capacities built up, provision of connectivity in urban/rural exchanges, meeting of revenue targets and ultimately ensure wider, effective spread of wireline Broadband services across the country. The Company should also ensure fair reporting of actual number of connections, Quality of Service parameters to TRAI.

The matter was reported (December 2016) to the Ministry; their reply was awaited (April 2017).

Mahanagar Telephone Nigam Limited

4.2 Inadequate verification of Customer Acquisition Forms

Lack of monitoring/supervision by MTNL to ensure proper verification of subscribers as per the guidelines issued by DoT resulted in avoidable imposition of Customer Acquisition Form (CAF) penalty of ₹ 11.58 crore.

Department of Telecommunications (DoT) issued guidelines in November 2006 to Cellular Mobile Telecom Service (CMTS)/Unified Access Service (UAS) Licensees to ensure adequate verification of each and every customer before enrolling him as a subscriber and to scrupulously follow instructions issued by the licensor in this regard from time to time. As per the guidelines, the Licensees were to ensure that the authorized person at the point of sale shall record in the application form that he has seen the subscriber and verified his documents with the original; and the connections are activated only after filling up of Customer Acquisition Form (CAF) and copies of documentary proof as per requirement have been fulfilled by the customer. It was also stated that a minimum penalty of ₹ 1000 per violation of subscriber number verification was to be levied on the licensee after 31 March 2007.

DoT introduced (December 2008) a scheme of penalty for violation of terms and conditions of the Licence Agreement in respect of Subscriber verification failure cases effective from 1 April 2009. As per the scheme, the correct subscriber percentage vis-à-vis financial penalty per unverified subscriber was as given in Table below:

Table 9

Details of Penalty per Unverified Subscriber

Sl. No.	Correct subscriber verification percentage in a service area	Amount of financial penalty per unverified subscriber (in ₹)
1	Above 95%	1000
2	90%-95%	5000
3	85%-90%	10000
4	80%-85%	20000
5	Below 80%	50000

DoT further clarified (February 2011) that the penalty was to be calculated as per rate applicable in the slab relating to the percentage of correct subscriber verification for all the failed CAFs.

Telecom Service Providers (TSPs) challenged this instruction of DoT and Hon'ble TDSAT in their Judgment ordered (April 2012) that the financial penalty be calculated on the principles followed in the Income Tax system, i.e. rate of financial penalty to be calculated separately for each slab and the total amount of penalty arrived at.

Audit observed that MTNL failed to ensure proper verification of subscribers in accordance with the guidelines of DoT as evident from rejection of 15725 and 12067 CAFs in Delhi (April 2007 to July 2015) and Mumbai (April 2007 to January 2016) respectively. Consequently, DoT imposed penalty of ₹ 11.58 crore as detailed in Table below:

Table 10
Details of Penalty imposed for Unverified Subscribers

Year	CAF Rejection	Penalty Amount	CAF Rejection	Penalty Amount
	Delhi(Upto July 2015)		Mumbai (Upto January 2016)	
2007-08	830	830000	10558	10558000
2008-09	3332	3332000		
2009-10	2624	50970000	393	1001000
2010-11	1846	11670000	103	103000
2011-12	1789	9870000	50	50000
2012-13	2130	14838000	272	392000
2013-14	1725	6995000	129	129000
2014-15	1016	2930000	162	162000
2015-16	433	1444000	400	484000
Total	**15725**	**102879000**	**12067**	**12879000**

Management in their reply (November 2016) stated that MTNL started capturing CAFs in Document Management System (DMS) followed by tele-verification since November 2012 and hence, non-compliant CAFs have been miniscule. It was also stated that CAFs of active numbers pertaining to earlier period were being verified and non-compliant CAFs would either be corrected or number terminated. Further, in case of Mumbai, there has been no reduction in the CAF rejection even after 2012-13 and 400 CAF rejections during 2015-16 has been the highest during the period 2009-10 to 2015-16.

The reply clearly indicates that MTNL has not been able to ensure complete verification of CAFs even as on date.

Thus, lack of adequate monitoring/supervision to ensure proper verification of subscribers by MTNL as per the guidelines of DoT led to avoidable imposition of CAF penalty of ₹11.58 crore for subscriber verification failure.

The matter was reported (September 2016) to the Ministry; their reply was awaited (April 2017).

4.3 Delay in issue of rent bills for space occupied in Mahanagar Telephone Nigam Limited building

Delay in issue of bills towards rent for space occupied in Mahanagar Telephone Nigam Limited building resulted in non-realisation of ₹14.49 crore for the period from April 2013 to December 2016

Department of Telecommunications (DoT) constituted (June 2013) a Committee comprising of officers from Mahanagar Telephone Nigam Limited (MTNL), Bharat Sanchar Nigam limited (BSNL) and DoT for treating BSNL and MTNL as a single entity for pursuant to Group of Ministers recommendations. The Committee recommended (September 2013) provisional rent of ₹ 125 per square feet per month for space occupied by BSNL in MTNL buildings in Delhi and payments were to be made effective from April 2013. The Committee also recommended constitution of Fair Rent Assessment Committee (FRAC) for finalisation of the rates for buildings occupied by each other and the Committee was to submit the report in three months'.

Audit noticed (March 2016) that though 2392.82 square meter (25746.74 square feet) of space was occupied by BSNL in MTNL building at Lodhi Road, New Delhi, no bills for the rent was raised as per the recommendations of the Committee. It was pointed out that non-claiming of rent resulted in non-realisation of ₹ 11.26 crore for the period from April 2013 to February 2016.

Based on the Audit observation, MTNL issued (August 2016) bills to BSNL for the period up to July 2016. Bills were raised periodically thereafter.

Though the bills were raised, no amount was received from BSNL till date (February 2017) and the amount non-realised increased to ₹ 14.49 crore as of December 2016. Further, though the FRAC was to finalise the rates within three months' the Committee had not met even once as of October 2016 since the recommendation for its constitution in September 2013 and thus, the rates were yet to be finalized.

Thus, delay in issue of bills for rent as per the recommendation of the Committee resulted in non-realisation of ₹ 14.49 crore.

The matter was reported (November 2016) to the Ministry; their reply was awaited (April 2017).

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

National Informatics Centre Services Inc.

4.4 Unfruitful expenditure of ₹ 15.54 crore on hiring of building and interior fit-outs

Due to awarding the work without following the due procedures and its subsequent cancellation, delay in submission of layout plans to Delhi Metro Rail Corporation (DMRC) and delay in approval of plans by DMRC, the building hired by National Informatics Centre Services Inc. could not be put to gainful use. As a result, the expenditure of ₹ 15.54 crore on payment of rent till December 2016 was rendered unfruitful.

National Informatics Centre Services Inc. (NICSI) was set up in 1995 as a Section 25 Company under National Informatics Centre (NIC) to provide IT solutions to Government organizations.

NICSI took on license (April 2013) 7102.44 square meter super built up area on the fourth (3649.42 square meter) and fifth (3453.02 square meter) floors of the Delhi Metro Rail Corporation (DMRC) building at Shastri Park, Delhi for office purpose/software development and/or IT enabled service operations for a period of 20 years at the rate ₹ 675 per square meter per month of super built up area plus Service Tax as applicable from time to time subject to enhancement by 15 *per cent* at the end of each term of three years. In addition to this, maintenance, water and electricity charges for common facilities were also payable to DMRC. Separate agreements were entered (July 2013) into with DMRC for each floor. DMRC handed over the licensed premises to NICSI on 23 April 2013.

The buildings were hired for extension of NICSI Development Centre on fourth floor and setting up of National Information Infrastructure Centre on the fifth floor. Subsequently, the fifth floor was decided (July 2015) to be handed over to Immigration Visa and Foreigners' Registration and Tracking (IVFRT) Centre of the Ministry of Home Affairs, Government of India (MHA). Similarly, the utilisation of fourth floor was changed (June 2013) from NICSI Development Centre to National Knowledge Network Centre.

As per the agreement, the fit-out period was 45 days from the date of handing over of the premises to licensee. The licensee may commence fit outs of the licensed premises within the Fit out period of 45 days and no license fee would be payable for this period.

The agreement also stipulated that fit out had to be done as per the drawing approved by DMRC.

NICSI placed a work order (25 April 2013) to M/s Teekays Interior Solutions Private Limited (Teekays) for interior fit outs of fifth floor at an amount of ₹ 8.06 crore. The work was awarded as the firm was empanelled with NICSI and had satisfactorily completed works at second and third floors which were taken (July 2010) on lease by NICSI. Mobilisation advance of ₹ 0.80 crore was also paid (June 2013) to Teekays. A committee formed (September 2013) to examine and sign the working drawing and also examine the progress of the work of Teekays observed that as per Government's instructions, a new Open tender was to be floated. Based on the observations of the Committee, NICSI cancelled (November 2013) the work order placed on Teekays. Teekays claimed ₹ 0.03 crore for the Design work done till cancellation which was accepted by NICSI.

NICSI awarded (January 2014) the work of interior fit-out of both fourth and fifth floors to M/s National Building Construction Corporation (NBCC), a Central Public Sector Enterprise of Government of India. The work was awarded on nomination basis based on the internal Office Memorandum from the Ministry of Urban Development (Work Division) to NBCC. The work was to be completed within eight and a half months from the date of payment of 10 *per cent* advance to NBCC.

NICSI submitted (May 2014)the layout plan of fifth floor to DMRC and the plan was approved (June 2015) by DMRC. The layout plan of the fourth floor submitted (September 2015) by NICSI was approved (February 2016) by DMRC.

The fifth floor, works of which were completed in September 2015, was handed over to MHA in July 2016 after obtaining (May 2016) clearance from the Delhi Fire Service. The interior work of fourth floor was still in progress (December 2016).

Thus, while work on fifth floor was completed after 38 months' from the date of taking possession of the licensed premises, interior work of fourth floor was still in progress (December 2016) even after 44 months' from the date of taking possession of the licensed premises. NICSI paid ₹ 19.56 crore as rent to DMRC during this period despite not occupying the building. Excluding the rent paid for time allowed to NBCC (which was eight and a half months) for completion of the fit out work, the idle rent paid without occupying the building from 18 February 2014 till 31 December 2016 worked out to ₹ 15.54 crore.

Management stated (December 2016) that NBCC handed over the fifth floor to NICSI in July 2016 and the same was handed over to MHA in the same month. Management further stated that the site preparation work for the fourth floor was in full swing and would be completed shortly.

Due to awarding the work without following the due procedures and its subsequent cancellation, delay in submission of layout plans to DMRC and delay in approval of plans by DMRC resulted in unfruitful expenditure of ₹ 15.54 crore till December 2016 (after excluding the fit out time of eight and a half months given to NBCC).

The matter was reported (February 2017) to the Ministry; their reply was awaited (April 2017).

New Delhi
Dated : 22 May 2017

(P K Tiwari)
Director General of Audit
(Post and Telecommunications)

Countersigned

New Delhi
Dated : 25 May 2017

(Shashi Kant Sharma)
Comptroller and Auditor General of India

Appendix and Annexure

Appendix-I

Summarised position of Action Taken Notes awaited from Departments under Ministry of Communications (MoC) and Ministry of Electronics & Information Technology (MeitY) as of March 2017

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Ministry of Communications				
Department of Posts				
1	29 of 2016	5	Nil	5
	Total	**5**	**Nil**	**5**
Department of Telecommunications				
1	17 of 2014	1	Nil	1
2	20 of 2015	1	Nil	1
3	55 of 2015	2	Nil	2
4	4 of 2016	30	3	27
5	29 of 2016	3	2	1
	Total	**37**	**5**	**32**
Ministry of Electronics and Information Technology*				
1	55 of 2015	3	Nil	3
2	29 of 2016	6	2	4
	Total	**9**	**2**	**7**
Grand Total		**51**	**7**	**44**

* On 19 July 2016 the Department of Electronics and Information Technology (DeitY) was made into full-fledged ministry, which is now known as the Ministry of Electronics & Information Technology (MeitY), bifurcating it from the Ministry of Communications and Information Technology

Appendix-II
Summarised position of Action Taken Notes awaited from Public Sector Undertakings under MoC and MeitY as of March 2017

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
Ministry of Communications				
Bharat Sanchar Nigam Limited				
1	6 of 2000	2	Nil	2
2	6 of 2001	2	Nil	2
3	3 of 2002	1	Nil	1
4	6 of 2002	1	Nil	1
5	5 of 2003	6	Nil	6
6	5 of 2004	2	Nil	2
7	5 of 2005	3	Nil	3
8	9 of 2006 (PA)	1	Nil	1
9	13 of 2006	7	Nil	7
10	12 of 2007	9	Nil	9
11	PA 9 of 2008	1	Nil	1
12	CA 10 of 2008	1	Nil	1
13	CA 12 of 2008	7	Nil	7
14	CA 25 of 2009	9	Nil	9
15	PA 27 of 2009	1	Nil	1
16	9 of 2009-10 (Comml)	1	Nil	1
17	10 of 2010-11 (PA)	2	Nil	2
18	3 of 2011-12	7	1	6
19	8 of 2012-13	4	Nil	4
20	17 of 2014	2	Nil	2
21	20 of 2015	5	Nil	5
22	55 of 2015	4	1	3
23	29 0f 2016	3	1	2
	Total	**81**	**3**	**78**
Mahanagar Telephone Nigam Limited				
1	3 of 1999	1	Nil	1
2	5 of 2003	1	Nil	1
3	5 of 2004	2	Nil	2
4	5 of 2005	1	Nil	1
5	13 of 2006	1	Nil	1
6	10 (PA) of 2007	1	Nil	1
7	12 of 2007	3	Nil	3
8	CA 12 of 2008	1	Nil	1
9	9 of 2009-10	1	Nil	1
10	8 of 2012-13	1	Nil	1
11	17 of 2014	1	Nil	1
	Total	**14**	**0**	**14**
Ministry of Electronics and Information Technology				
National Informatics Centre Services Inc.				
1	55 of 2015	1	Nil	1
Grand Total		**96**	**3**	**93**

Annexure-I

[Paragraph 3.2]

Statement showing the details of excess payment of rent in respect of covered area i.e. third to sixth floors at Westend Centre

(Area in Square feet and Amount in Rupees)

Month	Third floor		Fourth floor		Fifth floor		Sixth floor		Total area for which rent paid	Total area for which rent payable	Excess area on which rent paid	Rent paid per sft.	Excess payment of rent	Service tax paid on rent	Total excess payment
	Area for which rent paid	Area for which rent payable	Area for which rent paid	Area for which rent payable	Area for which rent paid	Area for which rent payable	Area for which rent paid	Area for which rent payable							
1	2	3	4	5	6	7	8	9	10 (2+4+6+8)	11 (3+5+7+9)	12 (10-11)	13	14 (12X13)	15 (14+ST)	16 (14+15)
Jun-13	0	0	29190	26926	0	0	0	0	29190	26926	2264	80	181120	22386	203506
Jul-13	0	0	29190	26926	0	0	0	0	29190	26926	2264	80	181120	22386	203506
Aug-13	28500	26550	29190	26926	17455	16262	0	0	75145	69738	5407	80	1030751	127401	1158152
Sep-13	28500	26550	29190	26926	17455	16262	0	0	75145	69738	5407	80	432560	53464	486024
Oct-13	28500	26550	29190	26926	28500	26550	0	0	86190	80026	6164	80	1900299	234877	2135176
Nov-13	28500	26550	29190	26926	28500	26550	0	0	86190	80026	6164	80	493120	60950	554070
Dec-13	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Jan-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Feb-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Mar-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Apr-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
May-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Jun-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Jul-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Aug-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Sep-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Oct-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Nov-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238

Dec-14	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Jan-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Feb-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Mar-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Apr-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
May-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	69878	635238
Jun-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	79150	644510
Jul-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	79150	644510
Aug-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	79150	644510
Sep-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	79150	644510
Oct-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	79150	644510
Nov-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	80564	645924
Dec-15	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	81977	647337
Jan-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	81977	647337
Feb-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	81977	647337
Mar-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	81977	647337
Apr-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	81977	647337
May-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	81977	647337
Jun-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	84804	650164
Jul-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	84804	650164
Aug-16	28500	26550	29190	26926	28500	26550	2974	2071	89164	82097	7067	80	565360	84804	650164
Total										**3062581**	**260881**		**22875850**	**3001856**	**25877706**

Notes: Total fourth floor area was taken over on 1.6.2013.

Total third floor area was taken over on 23.8.2013 and over payment of rent calculated accordingly.

Out of total area of 28,500 sft. (charged) in respect of fifth floor, 17,455 sft. was taken over on 23.8.2013 and 11,045 sft. was taken over on 15.10.2013. Over payment of rent calculated accordingly.

Since fifth floor was taken over in two spells, chargeable area from 23.8.2013 to 14.10. 2013 was calculated proportionately at 71.89% i.e. percentage of chargeable area with reference to area charged.

Total sixth floor area was taken over on 1.12.2013

Rate of service tax (inclusive of cess) from 1.6.2013 to 31.5 2015 - 12.36%, from 1.6.2015 to 31.10.2015 - 14%, from 15.11.2015 to 31.5.2016 - 14.5% and from 1.6.2016 onwards - 15%.

Annexure II
[Paragraph 4.1.2.1 A]
Statement showing connections (including disconnections) as reported to TRAI and actual connections

Status as on	DSL & FTTH connections (including disconnections) reported to TRAI	DSL & FTTH* connections as confirmed by Broadband Network	Disconnections D=(B-C)
A	**B**	**C**	**D**
	(Nos of connections in lakh)		
31.03.2012	89.15	52.55	36.60
31.03.2013	99.30	56.34	42.96
31.03.2014	100.00	53.56	46.44
31.03.2015	99.60	52.97	46.63
31.03.2016	99.40	52.73	46.67

*FTTH connection available from 31 March 2014 onwards

Annexure III
[Paragraph 4.1.2.5 A]

Statement showing delay in finalisation of purchase order and non-adherence to supply schedule

Year	Requirement assessed	Order placed	Time taken to place PO	Status of receipt	Time since placement of PO
2009-10 & 2010-11	Reassessed as 4 Mn (Aug 2009) of which Phase-I-1.5 Mn.	APO (October 2009) for 4 Mn CPEs. PO placed for 1.5 CPEs on 8.12.2009	4 mths	Supplies received by May 2010 (Phase I-1.5 Mn)	7 mths
	Procurement of 1.714 Mn CPEs as RQ in 4 Mn CPE project approved (June 2010)	APO for 1.714 Mn was given to M/s ITI(June 2010)Out of 1.714 million PO for 0.643 million CPEs proportionate to 1.5 Mn was to be placed		PO not placed due to non-receipt of security clearance(Nov 2010)	
	Phase II-1.5 Mn July 2010(2010-11)	PO issued for 0.504 Mn (October 2010)	5 mths	PO put on hold due to quality issue of modem. subsequently foreclosed (September 2011)	NA
		PO for 0.546 Mn on L2 and L3 was to be placed		PO not placed due to non receipt of security clearance	NA
	RQ Qty and procurement under Multiplay project	PO placed (Dec 2009) on ITI Ltd for 75000 Nos of ADSL2+CPEs under Package A Phase-I against T.E No 362	NA	Scheduled delivery by March 2010 but was short closed without supply (August 2011)	
		PO placed on ITI Ltd (January 2010) for supply of 0.60 Mn CPEs(Type-I)	NA	Against this 0.28 Mn CPEs were supplied and PO was short closed (Sept 2012) with non supply of 0.32 Mn	20 mths (Sept 2012)
2011-12	3.04 Mn requirement of July 2011 to Sep 2012 assessed in July 2011	Approval given (August 2011 for tendering 1.5 Mn Type II W2 CPEs. Tender floated (October 2011) for I Mn	9 Mths	Against target of 3 Mn BB connections supply of even 1.5 Mn CPE could not be ensured	
		For Ph I LI-0.35 Mn (May 2012)	10 Mths	Delivery period was upto July 2012 Supplied in full (as of Jan 13)	2 mths
		For Ph I L2-0.15 Mn(Oct 2012)	15 months	Delivery period was given 6 extensions (May 2015) Supplied in full	32 months

		Ph II LI-0.35 Mn (April 2013)		PO not accepted even after rescheduling of delivery date upto Oct 2013. BSNL went for arbitration.	No supply
		Ph II L2 No PO issued		As the time period for placement of order, Expired(June 2013)	NA
2012-13 & 2013-14	3 Mn (2012-13) & 1 Mn (Apr to July 2014) assessed in September /October2012 Assessment was as: 4.5 Mn(2012-13) and 2013-14(6 months).Final approval was for 1Mn Type II CPE.	Estimated in October 2012,tender for 1 Mn ADSL2+ CPEs (Type-II) was floated in August 2013**.** Floating of tender took 10 months APO was issued in 2014-15 for procurement of 1Mn ADSL2+W2 Type CPEs. PO was issued in October 2014 for 6 lakh	Floating of tender took 10 Months PO was issued 24 months	Extension of period of delivery upto 10.12.2015 was allowed	14 months
		APO issued (Dec 2014) PO issued for 4 lakh in March 2015		Supply completed by September 2015	

Annexure IV
[Paragraph 4.1.2.6 A]
Statement showing non-compliance with QoS guidelines for providing new Broadband Services

Name of Circle	No of test checked SSA where applications pending	Total No of applications received wrt new BB connections	Total No of BB connections provided within 15 days	Total No of connections pending even after 15 days	Total No of connections pending even after 30 days
Gujarat	1	6525	5987	471	67
MadhyaPradesh	4	11588	10879	428	281
Jharkhand	1	4388	3618	752	18
Rajasthan	6	32851	29780	1407	152
Karnataka	3	11487	11221	202	Nil
West Bengal	2	5259	4240	577	46
Punjab	1	7658	7149	324	185
UP(E)	1	989	951	38	29
Odisha	1	8735	6218	2517	1530
Kerala	1	18963	16806	1339	735
Total	**21**	**108443**	**96849**	**8055**	**3043**

Annexure V
[Paragraph 4.1.2.6 B]
Statement showing Quality of performance with respect to response time to the customer for assistance

Year	Pertaining to Q.E	All India % of calls answered by operator (Voice to voice) within 60 sec (standard>60%)	All India % of calls answered by operator (Voice to voice) within 90 sec (standard>80%)	No of Circles not meeting the benchmark	% of calls answered by operator (Voice to voice) within 60 sec (>60%)	% of calls answered by operator (Voice to voice) within 90 sec (>80%)
2013	Jun ***			21	0.00% to57.33%(in case of 14 circles)	0.00% to67.67% in case of 14 circles)
2013	Sep***			14	1.55% to 58%(in case of 11 circles)	2.07% to 75.43% (in case of 14 circles)
2013	Dec	52.10	57.04	16	0% to 59.67%(in case of 13 circles)	0% to 77% (in case of 16 circles)
2014	Mar	57.28	62.92	14	0% to 42.23%(in case of 10 circles)	0% to 77.67% (in case of 14 circles)
2014	Jun	64.85	69.18	14	1.96% to45.92%(in case of 8 circles)	3.92% to 78.49% (in case of 14 circles)
2014	Sep	68.03	72.20	10	1.96 %to 46.8%(in case of 7 circles)	3.92 to 78.93% (in case of 10 circles)
2014	Dec**	66.44	71.68			
2015	Mar*	82.53	86.47			
2015	Jan			7	21.22 to 54.52%(in case of 7 circles)	25.46 to 65.87% (in case of 7 circles)
	Feb			4	21.22 to 52.82%(in case of 3 circles)	25.46 to 79.53%(in case of 4 circles)
	Mar			3	40.67 to 57.15%(in case of 2 circles)	48.65 to 75.15% (in case of 3 circles)

* Though the All India Q.E target was met but within the months in the relevant quarter, the benchmark was not met in certain circles

** Circle wise details were not available

*** All India coverage figs not available

Annexure VI
[Paragraph 4.1.2.9 A]
Statement Showing status of DSLAMS allotted for rural BB connections in the circle

Year	No of Circle	No of DSLAMS allotted for rural BB connections in the circle	No of DSLAMs with zero connections	No of DSLAMs with 1-10% connections	% of zero connections DSLAMs to total No of DSLAMs allotted	% of DSLAMS WITH 1-10% connections to total No of DSLAMs allotted
2011-12	7	9243	158	3055	1.71	33.05
2012-13	7	9476	256	2919	2.701	30.8
2013-14	7	9511	273	2462	2.87	25.88
2014-15	7	9879	374	2394	3.78	24.23

Annexure VII
[Paragraph 4.1.2.9 A]
Statement Showing loaded capacity/working connections vis-à-vis equipped capacity of rural DSLAMs

Year	Circles with 0-20% utilisation	Circles with 20-40% utilisation	Circles with 40-50% utilisation	Circles with more than 50% utilisation
2011-12	Rajasthan, Jharkhand, Madhya Pradesh, UP(E)	Guj, WB, Mah, TN		Odisha
2012-13	Rajasthan, Jharkhand, MP,UP(E)	Guj, WB, Mah	TN	Odisha
2013-14	Jharkhand, UP(E)	Guj, Raj, WB, Mah, MP		TN, Odisha
2014-15	UP(E)	Guj, Raj, WB, Mah, MP		TN, Odisha
2015-16	Jharkhand,UP(E)	Guj, Raj, WB, Mah, MP		TN, Odisha, Punjab, Karnataka
Details not provided for Kerala Circle. Details for 2011-12 to 2014-15 not available for Punjab, Karnataka Circle.				

Annexure VIII

[Paragraph 4.1.2.9 C]

Statement showing loss of USO subsidy towards non provision of required numbers of Kiosks within the roll out period

Sl No	Name of Circle	No of kiosks not provided within roll out period	Potential loss of subsidy (₹ in lakh)	Potential levy of LD (₹ in lakh)	LD recovered /to be recovered by CCA (₹ in lakh)
1	Punjab	95	19.29	7.71	0.00
2	Kerala	9	8.74	0.00	2.13
3	Jharkhand	100	99.30	8.51	0.00
4	Maharashtra	2471	1505.16	0.00	200.66
5	U.P(E)	1103	1120.77	93.61	0.00
6	West Bengal	944	980.00	0.00	87.05
7	Gujarat	1393	1390.64	0.00	0.00
8	Cuttack	58	73.81	5.02	0.00
9	Rajasthan	509	526.97	42.15	0.00
10	Karnataka	77	75.41	0.00	5.15
11	Madhya Pradesh	712	700.64	0.00	60.05
Total		**7471**	**6500.79**	**157.02**	**355.06**

Annexure –IX
[Paragraph 4.1.2.10A]
Statement showing Calculation of excess payment of AMC charges while extending the AMC to same vendors on Nomination basis

(₹ in Crore)

Vendor	P.O. Value	AMC Charge for one year	AMC Charge @ 7% of P.O. Value (benchmark rate of UTStarcom)	Differential	Period of AMC		Excess Exp. incurred (January 2016 to September 2016)	Committed Exp. (October 2016 to August 2017)
					From	To		
M/s. Nokia Siemens Ltd	70.73	5.66	4.95	0.71	01.01.2016	31.08.2017	0.53	0.65
M/s. ZTE India (P) Ltd								
Yr. I	43	5.98	3.01	2.97	01.01.2016	31.12.2016	2.23	0.74
Yr. II	43	6.27	3.01	3.26	01.01.2017	31.12.2017		3.26
Yr. III	43	6.58	3.01	3.57	01.01.2018	31.12.2018		3.57
					Total		**2.76**	**8.22**