

## OVERVIEW

This Report contains the results of three Performance Audits – two pertaining to Department of Telecommunications & Department of Posts under the Ministry of Communications & Information Technology and another pertaining to the Ministry of Tourism. It also contains two Information Technology Audits - one pertaining to the Office of the Border Security Force, Tripura Frontier under the Ministry of Home Affairs and the other pertaining to the Controller General of Accounts under the Ministry of Finance. The important audit finds are as follows:

### **Ministry of Communications and Information Technology**

#### **Performance Audit of Administration of Universal Service Obligation Fund**

New Telecom Policy-1999 envisaged creation of Universal Service Obligation (USO) Fund with the objective to provide access to telecom services to people in rural and remote areas at affordable and reasonable price. Accordingly, the USO Fund was formed with effect from April 2002, with an amendment to Indian Telegraph Act (1885), in 2003. The Fund is administered by the Department of Telecommunications (DoT). It is a non-lapsable fund. The activities taken up for providing subsidy from the USO Fund were operation and maintenance of existing Village Public Telephones (VPTs), replacement of multi access radio relay (MARR) VPTs, Subsidy support for MARR VPTs replaced by BSNL, provision for rural community phones (RCPs), provision of VPTs in revenue villages as per census 1991 without any public telephone facility, subsidy support towards Rural Household Direct Exchange Lines (RDELs).

Some of the major deficiencies observed by Audit in respect of administration of USO Fund in DoT were as follows:

- Despite phenomenal growth and expansion in telecom sector in the country, the pace of expansion of telecom services in rural India, particularly in the states of Bihar, Chhatisgarh, Madhya Pradesh, Assam, Jammu & Kashmir, Uttar Pradesh and West Bengal has been very slow and the tele-density in these states ranged merely between 0.88 to 1.81 per hundred population. The objectives of establishing Universal Service Obligation Fund exclusively for accelerating growth of rural telephony were not achieved despite substantial collection of funds through Universal Access Levy. During 2002-03 to 2006-07, only Rs 5,081.44 crore i.e., 33.87 *per cent* of Universal Service Obligation (USO) Fund was utilised out of total funds of Rs 14,998.98 crore collected from service providers.
- The amounts collected through Universal Access Levy have not been credited fully to the Universal Service Obligation Fund.

- Subsidy of Rs 1850.77 crore was paid retrospectively towards RDELs installed during April 2002 to March 2005 without ensuring that the amount was disbursed only towards eligible RDELs.
- Reliance Communication and Tata Teleservices were paid subsidy of Rs. 84.50 crore for provision of RDELs and RCPs without ensuring connectivity with network of other service providers as envisaged in the Unified Access Service Licence agreements.
- Liquidated damage of Rs 20.60 crore was not recovered from universal service providers for non-fulfillment of roll out obligations even in the extended period.
- Subsidy to the tune of Rs 9.25 crore towards Village Public Telephones (VPTs) paid in excess to Universal Service Providers (USPs) was not recovered.
- As of March 2007, claims of different USPs amounting to Rs 407.83 crore were pending settlement with the Controller of Communication Accounts in various service areas.
- Large numbers of operators in rural areas did not meet the minimum quality standard prescribed by Telecom Regulatory Authority of India.

*(Chapter I)*

### **Performance Audit of Postal Life Insurance and Rural Postal Life Insurance**

The objectives of effective cash management in a government organization are to ensure availability of liquid cash, promptness/accuracy in accounting, and safety.

Postal Life Insurance was started in 1884 and is open for employees of all Central and State Government Departments, Nationalized Banks, Public Sector Undertakings, Financial Institutions, Local Bodies like Municipalities and Zila Parishads, Educational Institutions aided by the Government etc. In March 1995, the benefits of PLI were extended to rural populace of the country under the banner of Rural Postal Life Insurance (RPLI).

Some of the deficiencies observed by Audit in respect of Postal Life Insurance/Rural Postal Life Insurance in Department of Posts are as follows:

- The annual growth in the number of Postal Life Insurance (PLI) policies ranged between four to eight per cent during 2002-07. Except “Santosh”, other schemes of PLI have not been very popular and the number of new policies procured under Suraksha, Suvidha, Sumangal and Children policy has declined consistently during last five years.
- DoP failed to achieve the yearly targets set for procurement of business, both for PLI and RPLI during the period from 2002-03 to 2006-07. In case of PLI, the shortfall in targets went up from 17 *per cent* in 2002-03 to 41 *per cent* in 2006-07 and in case of RPLI, the shortfall had gone up from 16 per cent to 27 per cent during the same period.
- In the seven circles test checked, there were delays in acceptance of proposals for PLI/RPLI policies. In PLI, four *per cent* of the proposals received during the period 2002-07 were accepted with delays of more than 30 days whereas

in RPLI, 23 *per cent* of proposals were delayed for more than 30 days during the same period.

- In the eight circles test checked, there were delays in settlement of claims. In PLI, 25 *per cent* of the claims received during the period 2002-07 were settled with delays of more than 30 days whereas in RPLI, 17 *per cent* of claims were delayed for more than 30 days during the same period.
- An amount of Rs 148.24 crore remained unadjusted in the books of accounts of eight circles due to non-posting of schedules in the premium ledger accounts/non receipt of schedules of receipt from field offices as of March 2007.
- DoP short received Flat Rate Remuneration (cost of working expenses) of Rs 12.30 crore from the Ministry of Finance due to incorrect accounting of lapsed policies.
- While working out the total amount of premium collected during the year 2005-06 and 2006-07 the Department did not include the amount of premium received in respect of wanting schedules. This resulted in short receipt of Flat Rate Remuneration (FRR) amounting to Rs 84.10 crore.
- DoP had to rely on manual system as the software suffered from various deficiencies.

*(Chapter II)*

### **Ministry of Tourism**

#### **Performance Audit of Product/infrastructure Development for Destination and Tourist Circuits**

With a view to promote domestic tourism and attract overseas tourists in India, a large number of projects such as tourists bungalows, restaurant, yatriniwas, way-side amenities, tourist reception centre were sanctioned by the Ministry of Tourism (MoT) during VII, VIII, and IX five year plan. As the projects were small in size and in scattered areas, the resources could not create desired results. In order to avoid spreading the resources very thin and also to adopt an integrated planning approach, the schemes were merged into two schemes during 2002-03:

- (i) Product/Infrastructure and Destination Development including rural tourism, and
- (ii) Integrated Development of Tourists Circuits.

These two schemes were further merged in September 2006 into a single scheme viz. “Product/Infrastructure Development for Destination and Circuits” with the following two components:

- (i). Major Destination and Circuits Development and
- (ii) Rural Tourism Infrastructure Development.

A Performance Audit of the scheme was conducted with a view to examine the performance of the MoT in implementation of the scheme and achievement with reference to the objectives set for the schemes, covering the period from 2002-03 to 2006-07. During this period, 738 projects costing Rs 1500 crore were sanctioned in 32 States/UTs under the scheme. A sample of 23 projects in six States/UTs viz. Chhatisgarh, Delhi, Kerala, Madhya Pradesh, Tamil Nadu and Uttarakhand costing Rs 74.76 crore were selected for detailed audit scrutiny.

Audit scrutiny of the sampled projects revealed significant deficiencies in the system and procedure for release and utilization of CFA (Central Financial Assistance). There was excess release of CFA of Rs 5.86 crore, by not restricting assistance to 90 per cent of the project costs and by releasing funds to cover the cost of State components. Funds amounting to Rs 86.27 crore were lying unutilized with the State Governments/Executing Agencies. Audit further observed that there were substantial delays in transfer of funds by the State Governments to the executing agencies the States submitted incorrect Utilization Certificates, and in many cases the Utilisations Certificates were not supported by detailed Statements of Expenditure.

Audit scrutiny also revealed substantial delays in implementation of projects. Out of 23 projects selected for detailed scrutiny, only seven were reported as completed, 12 were delayed, three were ongoing and one project was short closed. The delays and deviation from the projects proposals were due to non-availability of land/sites, despite the States certifying the availability of land/site for executing the work while proposing the project.

There were no benchmarks to verify the actual achievements of objectives. In some States, no forecast for increased tourist inflow was made in the detailed proposal/project plan. In the absence of forecast specifying current tourist inflow, normal annual growth and additional growth rate envisages as a result of the projected investment, the impact assessment of the scheme could not be ascertained in audit.

No monitoring committees for overseeing the implementation of Destination and Circuits projects had been constituted and the convergence committee for overseeing implementation of rural tourism projects had not been set up in many States.

*(Chapter III)*

## **Ministry of Home Affairs**

### **Information Technology Audit of Border Security Force, Tripura Frontier**

The Border Security Force (BSF), one of the six paramilitary forces of the country, is maintaining computerized information systems for Personal Management, Inventory and Transportation. The computerized Personal Management Information System (PMIS) was implemented in the Tripura Frontier in 2002 for better deployment and training of manpower and for an efficient and effective human resource management. Later, 'Clothing, Tentage

and Stores' (CTS) Software for accounting of stores and Transportation (TPT) Software for better management vehicles were also developed and implemented in the Frontier in July, 2006.

During the Information Technology Audit of the BSF, Tripura Frontier, several lacunae were noticed in the system. It was found that absence of network connectivity and data uploading facility in various components is leading to duplication of work and data inconsistency. The system was deficient as it had insufficient logical access controls, non maintenance of log files etc. There was no well-defined password policy; further roles and privileges were not defined or restricted to the specific information resources. Disaster Recovery Planning and Data back-up provisions were insufficient and risk-prone. There was no defined and documented back-up policy. Back-ups were not being taken regularly and the back up CDs was not kept at a different location. There was avoidable duplication of records as 5829 cases of duplicate records pertaining to 2692 employees were observed during audit. In the absence of required input controls, databases were found incomplete on several counts. Even the calculation done by the software was found incorrect in one case.

The packages had many validation inadequacies. In the absence of proper validation checks required as per rules in force the databases were found to contain incorrect/invalid/doubtful data.

Data analysis revealed that in 88 cases, employees of different ranks and grades were recruited in BSF at an age below 18 years after 1982. It was found that though the operational life in respect of 197 vehicles had expired, these vehicles were still in use and the maintenance expenditure in respect of 49 out of these 197 vehicles even exceeded the purchase price by Rs 10.02 crores.

*(Chapter IV)*

## **Ministry of Finance**

### **Information Technology Audit on the functioning of COMPACT PAO 2000 software used in PAO offices of Indian Civil Accounts Organization**

IT Audit of COMPACT PAO 2000 software was taken up with a view to verify and assess whether (i) package has data integrity (ii) the checks for each field are in accordance with the stipulated government rules and orders (iii) the reports generated are in conformity with prevailing government rules and orders and (v) the package generates reliable MIS information for the management.

Audit noticed 57 cheques valued Rs 6.21 crores cleared by banks were shown outstanding by the system. Audit observed inaccuracies and abnormalities in the database, lack of input mask in fields, inaccurate MIS report and various system design deficiencies in the system. The system had various security weaknesses in respect of login session of the users, user rights/ privileges, backup/restoration of data in the server and antivirus policies. Various modules available in the system were also not being utilized.

*(Chapter V)*