सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
for the year ended 31 March 2021

भारतीय लेखापरीक्षा और लेखा विभाग
INDIAN AUDIT AND ACCOUNTS DEPARTMENT

सत्यमेव जयते

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Union Government
Finance and Communication
Report No. 15 of 2022
(Compliance Audit)

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Contents

PREFACE

This Report for the years ended March 2020 and 2021 has been prepared for submission to the President under Article 151 of the Constitution of India. Chapters V to VII of the Report, which pertain to Public Sector Undertakings under the Ministry of Communications, Ministry of Electronics & Information Technology and Ministry of Finance, have 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, Ministry of Electronics & Information Technology, Ministry of Finance and the Departments/ Public Sector Undertakings under these Ministries. The instances mentioned in this Report are those that came to notice in the course of test audit during the period 2019-20 and 2020-21 as well as those that 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.

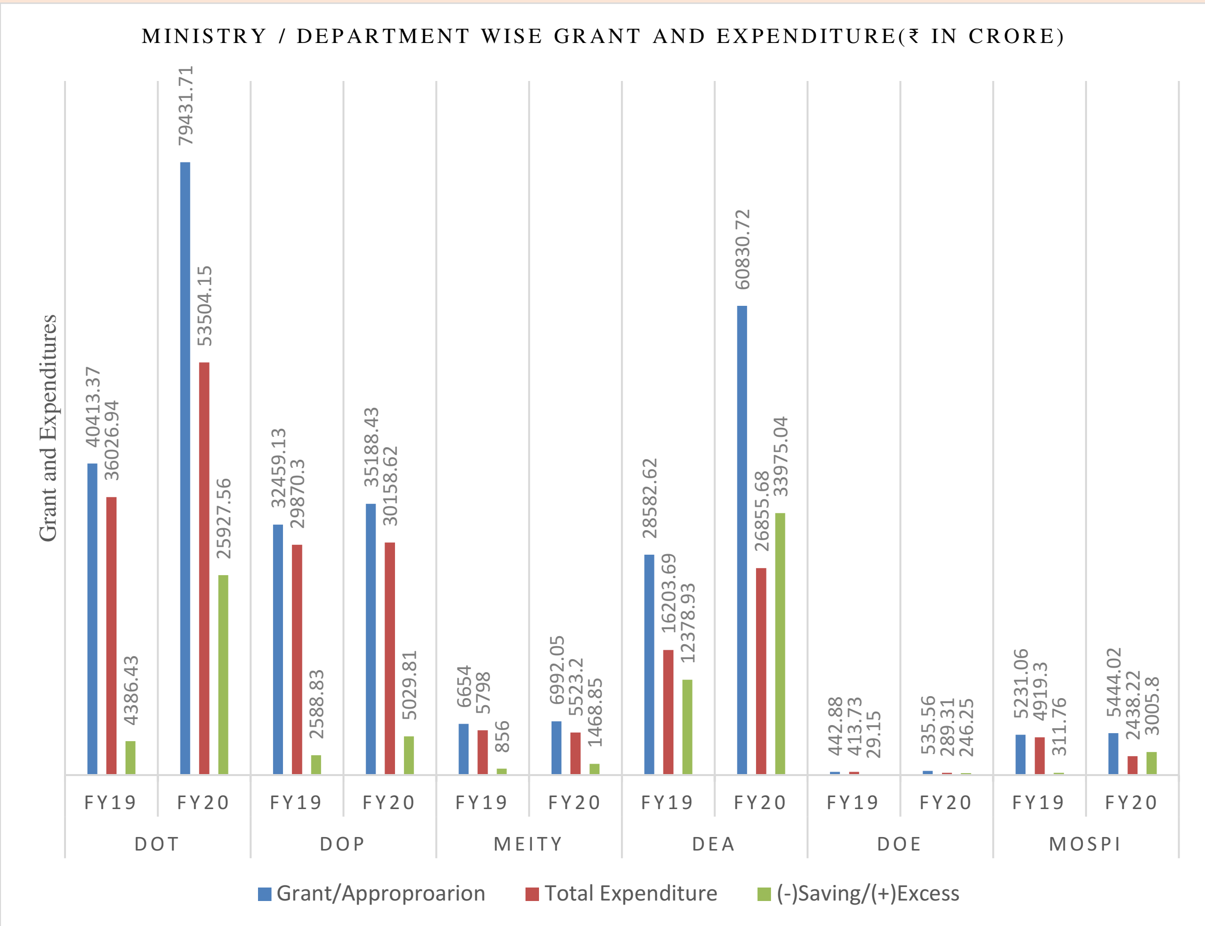
OVERVIEW

OVERVIEW

This Report of the Comptroller and Auditor General of India contains significant Audit findings, which arose from the compliance audit of the Ministry of Communications, Ministry of Electronics and Information Technology and Ministry of Finance. It contains seven chapters. **Chapter I** gives a brief introduction of the activities of Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY), Department of Expenditure (DoE) and Department of Economic Affairs(DEA) of Ministry of Finance (MoF) and Ministry of Statistics and Programme Implementation (MoSPI) and Autonomous Bodies (ABs)/ Public Sector Undertakings (PSUs) under them. **Chapters II** to **VII** are divided into two sections. **Section A,** containing **Chapters II** to **IV,** relates to findings/ observations arising out of the compliance audit of Department of Telecommunications (DoT) and Department of Posts (DoP) under Ministry of Communications and Ministry of Electronics and Information Technology respectively, while **Section B** containing **Chapters V** to **VII** relates to audit findings of Public Sector Undertakings (PSUs) under the MoC, MeitY and MoF respectively.

Brief profile of major auditee entities is as follows

The Grant and expenditure of Ministries/ Departments during Financial Years 2019-20 and 2020-21 covering five civil grants and one non-civil grant (DoP) under Audit jurisdiction of the field office are given below.

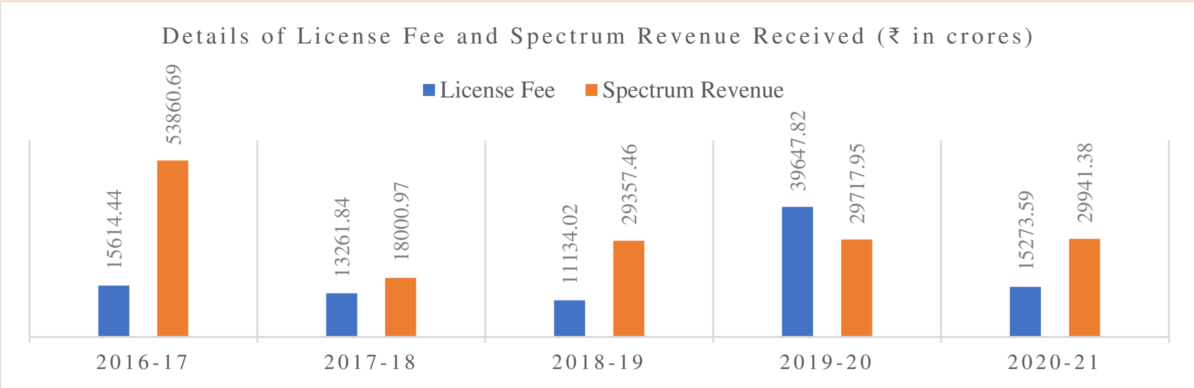


(Source: Appropriation Accounts of the Departments for the years 2019-20 and 2020-21)

Department of Telecommunications (DoT)

DoT is responsible for policy formulation, performance review, monitoring, international cooperation and Research & Development in telecommunication sector. The Department is also responsible for frequency allocations, radio communications in close coordination with international bodies, enforcing wireless regulatory measures & monitoring the wireless transmission and grant of licenses to operators for providing basic and value-added services in various Telecom Circles as per the approved policy of the Government.

Major sources of revenue of the Department are License Fee and Spectrum revenue received from Telecom Service Providers (TSPs). These are classified in Accounts as "Non-Tax Revenues".



(Source: Appropriation Accounts of DoT for the years 2016-21)

In 2019-20 and 2020-21, the Non-Tax Revenues by way of License Fees and Spectrum Revenues was ₹69,365.77 crore and ₹45,214.97 crore respectively.

DoT has generally completed the assessment of License Fees for all the major TSPs up to the year 2017-18 except for the Internet Service Provider (ISP) licenses stated to be under litigation. The assessments were stated to be in progress for the year 2018-19 onwards, for want of detailed verification reports from Controller of Communication Accounts (CCAs).

DoT includes important units viz. Telecom Enforcement and Resource Monitoring (TERM) Cells, Controller of Communications Accounts (CCAs), Wireless Planning and Coordination Wing (WPC), Telecom Engineering Centre (TEC), Wireless Monitoring Organisation (WMO), National Telecommunications Institute for Policy Research, Innovation and Training (NTIPRIT), National Institute of Communication Finance (NICF) and Centre for Development of Telematics (C-DoT) which is a Research and Development Unit.

There were 11 (eleven) PSUs under administrative control of DoT, out of which important PSUs are Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Millennium Telecom Limited (MTL), Indian Telephone Industries Limited (ITI), Telecommunications Consultants India Limited (TCIL) and Bharat Broadband Network Limited (BBNL).

For regulatory framework of the Telecom sector, Telecom Regulatory Authority of India (TRAI) was established on 20 February 1997 by an Act of the Parliament to regulate telecom services including fixing/ revision of tariffs for telecom services that was earlier vested in the

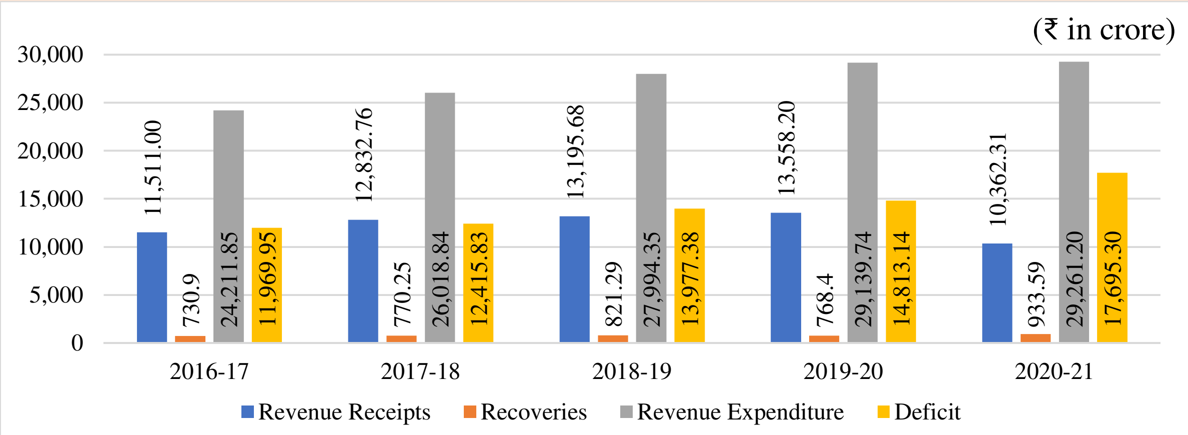
Central Government. Further, Telecom Dispute Settlement and Appellate Tribunal (TDSAT) was set up (January 2000) by way of an amendment to the TRAI Act to adjudicate any dispute between a licensor and a licensee, service providers, service provider and a group of consumers and to hear and dispose off appeals against any direction, decision or order of TRAI.

Department of Posts (DoP)

The Postal network of India is one of the largest network in the world having more than 1.55 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, it also undertakes a diverse range of retail services including money remittance, banking as well as insurance, disbursement of Pension and Family Pension to Military, Railway, Coal Mine and industries covered by the Employees Provident Fund Scheme. The Postal Department has also been given the responsibility for disbursement of social benefit payments under Central Government's programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Social Security Pension Schemes.

Department has implemented IT Modernisation Project with the aim of transforming operational efficiency and improving delivery services of all the Postal units through upgraded technology and connectivity.

The revenue receipts, recoveries and revenue expenditure of DoP for the years 2016-17 to 2020-21 are shown below.



(Source: Appropriation Accounts of DoP for the years 2016-21)

In 2019-20 and 2020-21, whereas the revenue expenditure of the Department was ₹29,139.74 crore and ₹29,261.20 crore respectively, the revenue receipts stood at ₹13,558.20 crore and ₹10,362.31 crore respectively.

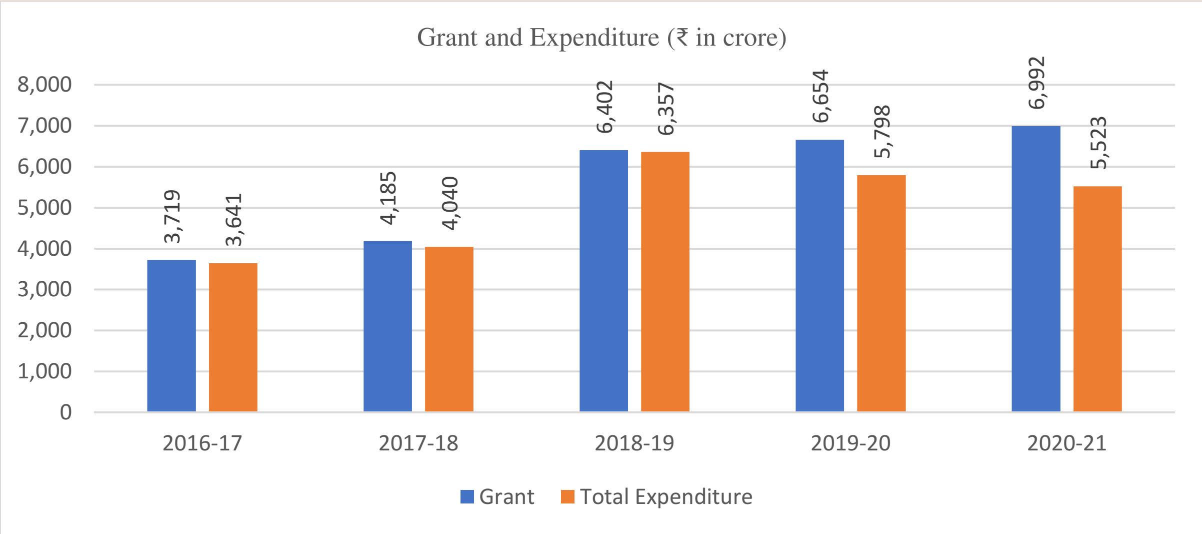
Department of Posts has only one PSU namely, India Post Payments Bank Limited (IPPB), incorporated in August 2016.

Ministry of Electronics and Information Technology (MeitY)

Ministry of Electronics and Information Technology (MeitY) plays an important role in the development of Electronics and Information Technology sector. The Ministry is responsible for formulation, implementation and review of national policies in the field of Information Technology, Electronics and Internet. The vision of MeitY is e-Development of India as the engine for transition into a developed nation and an empowered society.

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

In order to carry out its functions, MeitY is provided with budgetary support in the form of Grants from the GoI. The Grants received vis-à-vis Expenditure incurred by MeitY during the period from 2016-17 to 2020-21 is given below.



(Source: Finance and Appropriation Accounts of MeitY for the years 2016-21)

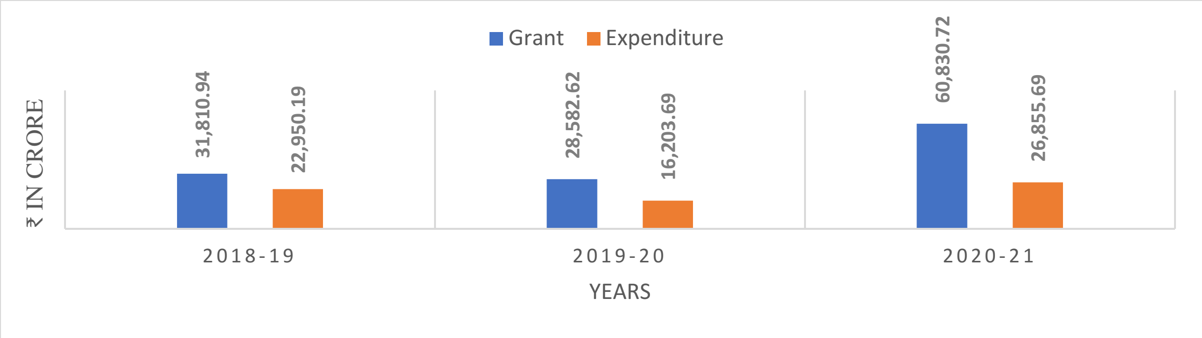
MeitY has two Attached Offices (viz., NIC, STQC), six Autonomous Societies (viz., CDAC, CMET, NIELIT, SAMEER, STPI and ERNET India), three Section 8 Companies [viz., NICSI, NIXI and Digital India Corporation (DIC)], three Statutory Organisations (viz., CCA, ICERT and UIDAI) and one Company registered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

Out of the above, the important offices are Unique Identification Authority of India (UIDAI) which was created with an objective of issuing Unique Identification numbers (UID), a unique identity named as "Aadhaar", to all residents of India and National Informatics Centre (NIC), which provides network backbone and e-Governance support to Central Government, State Governments, UT Administrations, Districts and other Government bodies.

Department of Economic Affairs (DEA)

DEA under Ministry of Finance (MoF) is responsible for advice on economic issues having a bearing on internal and external aspects of Indian Economy including inflation, price control, foreign exchange management, Official Development Assistance, domestic finance and preparation of Union Budget, bilateral and multilateral engagement with international financial institutions and other countries.

The comparative position of Grant and expenditure of DEA during FY 2018-19 to 2020-21 is as follows.



(Source: Appropriation Accounts of DEA for the years 2018-21)

Securities Exchange Board of India (SEBI) is a statutory regulatory body established (April 1992) under DEA of MoF with an objective of monitoring and regulating the Indian capital and securities market while ensuring to protect the interests of the investors, formulating regulations and guidelines.

There are four PSUs under DEA viz. Security Printing and Minting Corporation of India Limited (SPMCIL), Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL), Bank Note Paper Mill India Private Limited (BNPMIPL) and National Investment and Infrastructure Fund Trustee Limited (NIIFTL).

Ministry/ Department wise Audit findings are briefly described below:

Section A

Ministries/ Departments

Chapter II: Department of Telecommunications (DoT)

Short levy of License Fee on Tata Communications Ltd (TCL)

Audit scrutiny of Audited AGR Statements with reference to Profit & Loss Statements and Balance Sheets in respect of NLD, ILD and ISP-IT licenses of TCL for the period from 2006-07 to 2017-18 revealed that there was an under reporting of Gross Revenue (GR) by ₹13,252.81 crore and consequent short levy of LF of ₹950.25 crore. After deducting the DoT's assessment of LF of ₹305.25 crore, the License Fee demanded from TCL by DoT was short by ₹645 crore for the said period, which needs to be demanded and recovered.

DoT needs to act upon immediately to complete the Assessment for the period 2006-18 and to recover the License Fee dues, since finalization of Assessment of License Fee regarding NLD, ILD and ISP-IT licenses of TCL were already significantly delayed.

(Paragraph 2.1)

Undue delay in decision making regarding allotment/ assignment of spectrum in E-band and V-band for Microwave access network and backhaul network

DoT has not taken any decision since December 2015 for allotment/ assignment of spectrum for Microwave backhaul networks in E and V-bands available with it, despite TRAI recommendations and there being sufficient demand for the spectrum on account of increasing density of Mobile communications. There were 23 (twenty three) applications pending with DoT as of December 2021, for assignment of Microwave access carriers. Consequently, spectrum in E and V-bands has not been utilised optimally and Government have therefore foregone the monetization benefits of the unsold spectrum and usage charges and have also deprived customers the benefits of better quality and high end services.

Considering minimum rate of 0.15 *per cent* of AGR for Spectrum charges, the estimated revenue foregone on a very conservative basis was ₹67.53 crore towards spectrum charges for one carrier of E & V band and the annual expected revenue foregone was ₹3.30 crore for one Circle alone based on average AGR reported by TSPs for the year 2020-21. This is only an indicative figure and the expected actual revenue could be higher based on number and bandwidth of the carriers allocated to users.

DoT may take an early decision in consultation with TRAI on allotment/assignment of spectrum for microwave access and backhaul network in E-band and V-band for providing support to mobile communications, ISP service providers and for effective roll out of 5G services. This would not only monetise the spectrum in un-allotted E & V bands but also generate the Spectrum Usage Charges to the Government resulting in effective utilisation of these spectrum bands, leading to improvement in quality of service to the customers.

(Paragraph 2.2)

Chapter-III: Department of Posts (DoP)

IT Modernization Project in Department of Posts

The IT Modernization Project in DoP was approved in 2012 with an outlay of ₹4,909 crore, aiming to improve the operational and service delivery efficiency in more than 1.55 lakh field formations of the DoP. Though the project was almost completed, with an expenditure of ₹3,447.98 crore (September 2021) with balance liabilities of ₹1,376.83 crore to vendors, there were significant delays in the completion of important segments of the project viz. Financial System Integrator (FSI), Core System Integrator (CSI), Network Integrator (NI) and Rural System Integrator (RSI), ranging from one to four years. There were initial problems in pre-rollout preparatory activities, migration of data and non-availability of any Network in some areas, thereby delaying project activities. The Budget, Asset Accounting and Costing modules were not implemented in full until January 2022.

Though the modernisation Project achieved deliverables of anywhere, anytime banking, access to facilities like ATMs, quick money transfers and Net banking, increased insurance facilities to the rural populace, better customer experience through end-to-end article visibility and provision for electronic intimation on a real-time basis, Audit noticed that there were major deviations such as improper validation in migration of legacy data to the Core Banking Solution, integration and networking issues. These deficiencies led to misappropriation cases and have future potential too for irregularities unless corrective action is taken.

It was seen that there were inadequate system controls in monitoring of prescribed norms, and business rules of DoP. Poor networking and connectivity issues in Post Offices compromised services to the public despite the computerisation efforts. There was wasteful procurement of Magnetic Stripe ATM cards, RICT devices not functioning properly due to poor network, there were abnormal delays in provision of alternate delivery channels i.e., Internet Banking, Mobile Banking, SMS tracking and alerts to customers etc. The Project Implementation Committees and its Core Sub-Committees concerned did not pursue properly with the vendors for proper customisation / implementation and adhering to the timelines for completion of the project.

- ***Audit recommends that DoP may ensure uninterrupted network connectivity, integration of Core System with other Systems for providing better customer services. Further, Customisation of Core Banking Solution with reference to Post Office rules and regulations and strict implementation of KYC norms be taken up, to ensure proper application of POSB rules, cleaning up of irregular Account Balances, to curtail the probability of misappropriation of public money.***
- ***DoP may ensure implementation of all modules, integration of all softwares with core system and network connectivity from two network services in all Post Offices, for effective and qualitative services to its customers.***

(Paragraph 3.1)

Functioning of Railway Mail Service and Road Transport Network in DoP

Railway Mail Service (RMS) is the most important channel used by DoP for carrying and transmitting postal articles to all parts of the country. Apart from the RMS, DoP formulated a plan scheme for "Development of Road Transport Network" (RTN) for carriage of parcels and premium mails on selected routes to encourage e-commerce as well.

Audit scrutiny of functioning of Railway Mail Services revealed deficiencies in management of berths allocated to RMS by the Railways, sub optimal utilisation of space allocated/ being used for RMS services and incorrect/ excess payments being made to Railways which were not in keeping with the agreed terms etc., and were not detected in time due to non/ improper verification of the claims raised by Railways. The instances of excess/ incorrect billing/ payments noticed by Audit were to the tune of ₹133.72 crore on a sample check, reflect lack of internal controls leading to excess/ avoidable payment towards haulage charges, rent on buildings hired from Railways etc.

Further DoP directions (September 2017) issued to RBI regarding pre-validation of claims raised by Railways before debiting the DoP's account were not properly pursued, leading to continuous excess direct debits by RBI which were lying unadjusted for a long period.

Dimensional Weighing System (DWS) procured by DoP, was not found integrated with the CSI software and hence could not be utilised in five Circles resulting in infructuous expenditure of ₹4.44 crore. Similarly, procurement of Mail Hardware without assessing the required specifications resulted in wasteful expenditure of ₹76.39 lakh.

The RTN services were also not found to have been managed efficiently to achieve the targets of capturing of opportunities offered by growth of e-commerce in India by providing the time definite service to the customers, Monitoring was defective, resulting in non-achievement of scheme objectives of increasing parcel traffic growth by 25 *per cent*, despite an expenditure of ₹57.72 crore incurred till the end of FY20.

- ***Audit recommends that DoP needs to strengthen the Internal Control mechanism for verification of claims raised by Railways to avoid the excess payment of haulage charges,***

rentals etc. In consultation with RBI, DoP may change the payment system by introducing pre-validation of claims raised by Railways, before their account is debited.

- ***DoP may review space in RMS properties occupied by them and vacate excess/ vacant space in interest of economic operations***
- ***DoP needs to establish an effective monitoring mechanism by way of special cells for timely review of RTN routes to make them revenue beneficial. They need to design the daily connectivity to the potential cities/ towns to be an enabler for better quality of services to customers and increased revenue generation for the Department through RTN.***

(Paragraph 3.2)

Idling of Aadhaar enrolment kits in Post Office Aadhaar Centres

Department of Posts (DoP) agreed to set up Aadhaar Enrolment Centres on request of UIDAI and procured 13,353 Aadhaar enrolment kits during 2018-19 incurring an expenditure of ₹178.08 crore. Out of these, 1,976 kits were not in operation due to hardware, network and staff shortage issues, in 21 Circles, resulting in blockade of funds of ₹25.75 crore. Further, due to poor quality of services, UIDAI imposed a dis-incentive of ₹3.84 crore on DoP.

Department of Post may monitor/ review the status of idle kits/ nil business Centres for timely action to utilise the idle kits by transferring them to needy circles. Department should pursue with UIDAI for refund of the dis-incentives/ penalty imposed on them.

(Paragraph 3.3)

Irregular Pension Payments by Post Offices

Business Rules in Department of Posts (DoP) mandate submission of life certificates for verification of continuity of life of pensioners. Audit noticed that in five Head Post offices (HPO) under West Bengal Circle, pension of ₹ 6.02 crore in 122 cases , was found irregularly credited to the pensioners accounts despite wanting life certificates for periods ranging from one to ten years. At the instance of Audit, in 14 cases, DoP credited back the irregularly drawn pension amounting to ₹64.51 lakh to the Government account, while recoveries were pending in remaining cases.

DOP may introduce requisite control in the Finacle Software to stop automatic crediting of pension in cases where life certificate is not produced by the pensioner in the stipulated time frame. Further DoP may undertake a review of similar cases in all the Circles and carry out rectification process in all such cases, including fixing of responsibility on Postal Circles for the irregular pension credited.

(Paragraph 3.4)

Misappropriation of public money in Department of Posts

Post Office Saving Bank Manuals prescribes the internal checks and clearly defines the responsibilities for prevention of frauds and fraudulent activities in Saving Bank Operations for various levels. To Corroborate the Manual, DoP has also issued directions to the Postal Circles through a series of internal orders from time to time encompassing the preventive checks/actions to be done by field formations to avert fraud by its staff.

Audit noticed that Savings Branch and the Saving Bank Control Organisation (SBCO) of DoP's Head Post Offices failed to implement internal checks codified by Department of Posts and orders issued by Directorate from time to time. Fraudulent activities such as withdrawals made from closed saving accounts by Postal staff, fake entries were made, fake accounts were opened, cash deposits taken from customers were not entered in their accounts and unauthorised use of user id and passwords by Postal staff, were found. These irregularities led to mis-appropriation of public money amounting to ₹95.62 crore in Post Offices spread over fourteen Postal Circles over the period November 2002 to September 2021, of which ₹14.39 crore (including penalty/ interest of ₹40.85 lakh) was recovered and balance recoveries were yet to be effected.

To safeguard the public money and the faith citizens pose in Post Offices, DoP may ensure that effective and strict internal checks are exercised by Post Offices and internal audit is implemented in letter and spirit at various hierarchical levels. They may ensure intimation of POSB transactions electronically only, prevent manual entries in all respects implement effective password policy effectively and monitor disbursal of money to rightful claimants on maturity of various saving schemes/ accounts. Further, DoP may initiate stringent action under the Rules to fix responsibility and accountability on its officers and staff responsible for the irregularities that have taken place.

(Paragraph 3.5)

Chapter IV: Ministry of Electronics and Information Technology (MeitY)

Setting up of new/ upgraded Centres by National Institute of Electronics and Information Technology (NIELIT) in North Eastern Region

MeitY approved (May 2012) the IECT project for socio-economic development of the North Eastern Region (NER) for setting up of new Centres/ upgradation of existing Centres, for providing excellent infrastructure with residential facility to students of NER. NIELIT was the implementing agency and the project was to be completed in five years. It was seen in audit that out of 18 Centres to be newly established or upgraded, six projects were dropped and six projects were severely delayed for reasons such as land not provided/ encumbrance free land not provided by the State Governments, faulty project management etc despite appointment of Project Management Consultants who were paid consultancy charges. There were inadequacies in faculty development scheme, lack of industry interface, poor employability of NIELIT students, irregularities in financial management of the projects by the Project Management Consultants (PMCs). The Project Review and Steering Group (PRSG) was ineffective in its monitoring of the Project. The expenditure incurred of ₹27.58 crore was not in keeping with the project objectives of setting up of new/ extension Centres and expenditure of ₹3.95 crore was rendered wasteful on Projects dropped. Thus the project could not completely achieve its objectives of providing excellent infrastructure to the students and of socio-economic development of the Region.

Audit recommends that NIELIT may

- ***Approve projects after adequate planning and discussions with all stake holders and ensure suitable clauses in the contracts entered into with the PMCs that safeguard the financial interests of the Government of India.***
- ***Complete the incomplete and delayed projects expeditiously and fix accountability on PMCs/ contractors for dropped/delayed projects. Further, action may be initiated to revive the dropped projects by establishing dialogue with the State Governments at the highest level.***
- ***Strengthen the project monitoring control both at Headquarters as well as unit level like by holding focused PRSG meetings, by revamping the Uniform Building Committee, regular site visits etc.***
- ***Consider Faculty Development Programme (FDP) in blended learning mode with a Training Calendar so that the smaller Centres also may plan well in advance and spare the faculties to attend the training without their having to leave station continuously for a long time.***

(Paragraph 4.1)

Avoidable payment of interest and penalty charges for belated remittance of EPF contributions by National Institute of Electronics and Information Technology

NIELIT failed to ensure timely remittance of statutory dues of the monthly Employees Provident Fund (EPF) contribution for its employees and manpower engaged by them in different projects/ Schemes. As a result, NIELIT had to make avoidable payment of ₹71.71 Lakh to the Employee Provident Fund Organization on account of interest and penalty charges for belated remittance of statutory dues i.e. EPF contributions.

Depositing the EPF contributions of employee as well as employer in concerned EPF Office by due date is a statutory requirement. In order to avoid interest and damage charges, Ministry may issue necessary instructions to all concerned to comply with the statutory requirement and hold the staff personally responsible for penal charges levied on NIELIT by EPFO.

(Paragraph 4.2)

Section B

Public Sector Undertakings under the Ministries

Chapter V: Public Sector Undertakings under the Ministry of Communications (MoC)

Estate Management in Mahanagar Telecom Nigam Limited (MTNL)

MTNL was in possession of land/ buildings, office complexes and staff quarters in Delhi and Mumbai cities. The provisional approximate valuation of all the properties was ₹57,750 crore (₹26,400 crore in Delhi and ₹31,350 crore at Mumbai). An Audit was conducted to examine management of the estate owned by MTNL covering the period from 2015-16 to 2020-21. The Audit found that a documented comprehensive Estate Management policy and a dedicated administrative structure, to support Estate Management was absent in MTNL. DoT did not provide timely directions on utilisation of vacant estate/ properties with the Company, contributing to dismal performance in monetisation of vacant/ prime properties of the MTNL. The company did not have title deeds/ lease deeds in respect of properties in their possession. This led to non-utilisation of acquired land/properties, encroachment of vacant land and delayed the process of monetization of properties. The Company incurred avoidable expenditure of ₹113.91 crore on unutilised properties on account of composition fee and other land charges because of re-allotment of property in its favour. The Company also had accumulated arrears of rent of ₹150.74 crore as of 31 March 2021 on properties rented out to various parties and potential loss of ₹205.80 crore due to non-letting of vacant spaces.

Audit has following recommendations

- ***Company may put dedicated efforts to obtain clear title to its properties and reconcile the data regarding value and quantity/ size of the properties, which is a serious lacuna that needs to be urgently addressed so that the interest of the Company in the event of sale/ disinvestment/ capital restructuring is protected.***
- ***The Company may take expedient steps to resolve matters relating to lease/ renting of properties to other organisations and recover rental dues to strengthen its financial liquidity. The Company may also ensure valid rent agreements with the occupying authorities.***
- ***DoT may consider undertaking a comprehensive examination of delays and shortcomings noticed in audit in taking various decisions relating to conversion of land holding, reservation and designation issues which are impacting the monetization of the Company's land assets and monitor the same very closely.***

(Paragraph 5.1)

Inventory Management of Telecom Factories in Bharat Sanchar Nigam Limited (BSNL)

Telecom Factories of BSNL procured excess material leading to accumulation of inventories and stores. Declining demands also resulted in unutilized raw material and finished tower material worth ₹18.45 crore and ₹47.44 crore respectively lying idle in stores since 2015-16 which is a loss to the Company.

Audit recommends that BSNL may plan in a realistic way procurement of raw material and production, considering the prevalent market conditions and trends in demand so as to avoid excess procurement of raw material and production. They may take early decision for utilization /disposal of the tower material lying idle as well as the stock of obsolete inventories to avoid further deterioration in value of the material.

(Paragraph 5.2)

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

NICSI's inadequate debt recovery mechanism

There was accumulation of dues of ₹111.20 crore from Government Departments/ agencies due to absence of proper procedures and recovery mechanism of dues from debtors, in NICSI. This lackadaisical approach towards recoveries exposed the Company to risk of loss of revenue on account of completed projects.

Audit recommends that NICSI may ensure an efficient recovery mechanism in case of ongoing as well as completed projects. They should ensure settlement of previous accounts with the clients before taking up new projects for them. They may take necessary steps for recovery of their pending dues from various clients.

(Paragraph 6.1)

Chapter VII: Public Sector Undertakings under the Ministry of Finance

Avoidable financial burden on Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) due to injudicious investment decision

The Bharatiya Reserve Bank Note Mudran Pvt Ltd (BRBNMPL), had to bear an avoidable financial burden of ₹1.37 crore, due to injudicious decision of its Employees Provident Fund (EPF) Trust to invest its surplus funds in a private company. The Company would also have to compensate the Trust for likely loss of principal amount of ₹ 5.70 crore, since the investee Company (IL&FS) had not only defaulted in payment of interest but had gone into liquidation.

Audit recommends that

- ***The Company may ensure that the EPF Trust follows the guidelines for investments more scrupulously to avoid recurrence of loss making investments.***
- ***The Company may fix responsibility on the Trust employees for the injudicious investment decision which has imposed avoidable financial burden on the Company.***

(Paragraph 7.1)

Chapter I Introduction

1.1 About this Report

This Report contains the significant results of the Compliance Audit of financial transactions of the Ministry of Communications (MoC), Ministry of Electronics & Information Technology (MeitY), Ministry of Finance (Department of Economic Affairs and Department of Expenditure) and Ministry of Statistics and Programme Implementation (MoSPI) under the Government of India including Departments/ Public Sector Undertakings (PSUs) under the administrative control of these Ministries for the financial years 2019-20 and 2020-21. It contains 13 illustrative cases of irregularities covering the Ministries/ Departments/ PSUs including a case relating to recovery at the instance of audit.

The Report has been organised into two sections, **Section A** and **Section B**. **Section A** contains compliance audit issues relating to Department of Telecommunications (DoT), Department of Posts (DoP), Ministry of Electronics and Information Technology (MeitY). **Section B** contains issues relating to Public Sector Undertakings (PSUs) under these Ministries. Chapters of this Report are as under.

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

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

Chapters V to VII under Section B contain significant observations arising from the audit of PSUs under the administrative control of MoC, MeitY and MoF.

1.2 Types of Audit conducted by CAG

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

1.3 Authority for Audit

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

1.4 Planning and conduct of Audit

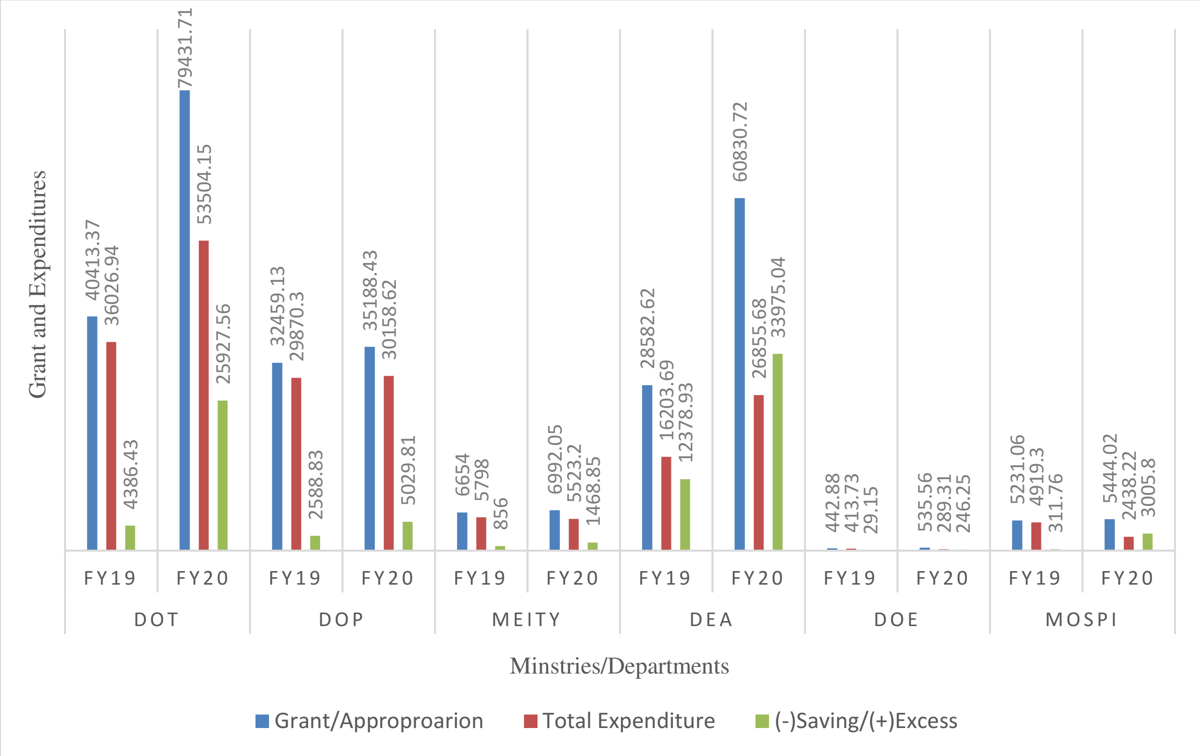
As per the Annual Audit Planning process, units for Compliance Audit are selected on the basis of risk assessment besides topicality, materiality, social relevance etc. Risk assessment includes appraisal of internal control systems of the units, past instances of defalcation, misappropriation, embezzlement, etc. as well as-findings of previous Audit Reports. Inspection Reports are issued to the heads of units after completion of audit. Based on the replies received, audit observations are settled with action for compliance advised, where necessary. Important audit findings are processed further as draft paragraphs for inclusion in the Audit Report after seeking responses from the Secretary of the Ministry/ Department concerned. Audit Reports of C&AG are laid before the Parliament/ respective State Legislature under Article 151 of the Constitution of India. The office of the Director General of Audit (Finance and Communication), Delhi is the field office of the C & AG which plans and conducts the audit of the Ministries/ Departments/ Entities mentioned in Para 1.1, under the overall supervision of the C&AG's office.

1.5 Grant and expenditure of Ministries/ Departments under audit jurisdiction

The Grant and expenditure of Ministries/ Departments during Financial Years 2019-20 and 2020-21 covering five civil grants and one non-civil grant (DoP) under audit jurisdiction of the field office are given in **Figure 1.1**.

Figure 1.1: Ministry / Department wise Grant and Expenditure

(₹ in crore)



(Source: Appropriation Accounts of the Departments for the years 2019-20 and 2020-21)

Brief profile of audited entities is discussed in succeeding paragraphs.

1.6 Ministry of Communications

1.6.1 Department of Telecommunications

DoT is responsible for policy formulation, performance review, monitoring, international cooperation and Research & Development in telecommunication sector. The Department 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 grants licenses to operators for providing basic and value-added services in various Telecom Circles as per the approved policy of the Government.

1.6.1.1 Important DoT Units

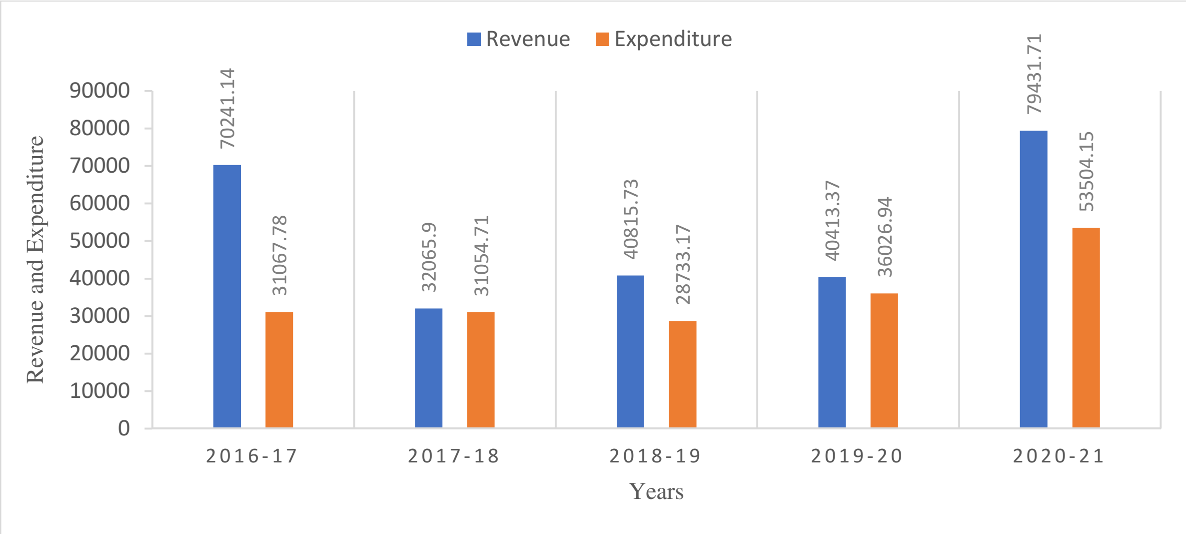
Department of Telecommunications includes Telecom Enforcement and Resource Monitoring (TERM) Cells, Controller of Communications Accounts (CCAs), Wireless Planning and Coordination Wing (WPC), Telecom Engineering Centre (TEC), Wireless Monitoring Organisation (WMO), National Telecommunications Institute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

1.6.1.2 Grant and Expenditure of DoT

The comparative position of Grant and expenditure of DoT during FY 2016-17 to 2020-21 is given in **Figure 1.2**.

Figure 1.2: Revenue and Expenditure of DoT

(₹ in crore)



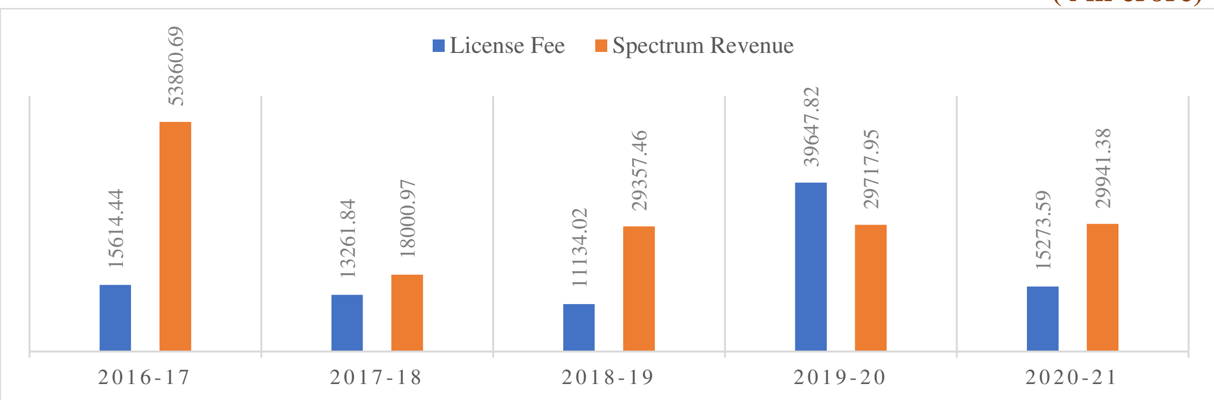
(Source: Appropriation and Finance Accounts of DoT for the years 2016-21)

In 2020-21, the total Grant of DoT was ₹79,431.71 crore which was approximately 97 *per cent* more than the previous year. This was mainly due to grants received for pension and other retirement benefits, VRS scheme of BSNL as well as MTNL employees and Grant for GST on 4G Spectrum for BSNL and MTNL. As such expenditure of DoT in 2020-21 was ₹53,504.15 crore which was approximately 33 *per cent* higher than the previous year.

Major sources of revenue of the Department are license fee and spectrum revenue received from telecom service providers. These are classified in Accounts as "Non Tax Revenues". The details of license fee and spectrum usage charges received during the last five years are given in **Figure 1.3**.

Figure 1.3: Details of License Fee and Spectrum Revenue received during 2016-21

(₹ in crore)



(Source: Appropriation Accounts of DoT for the years 2016-21)

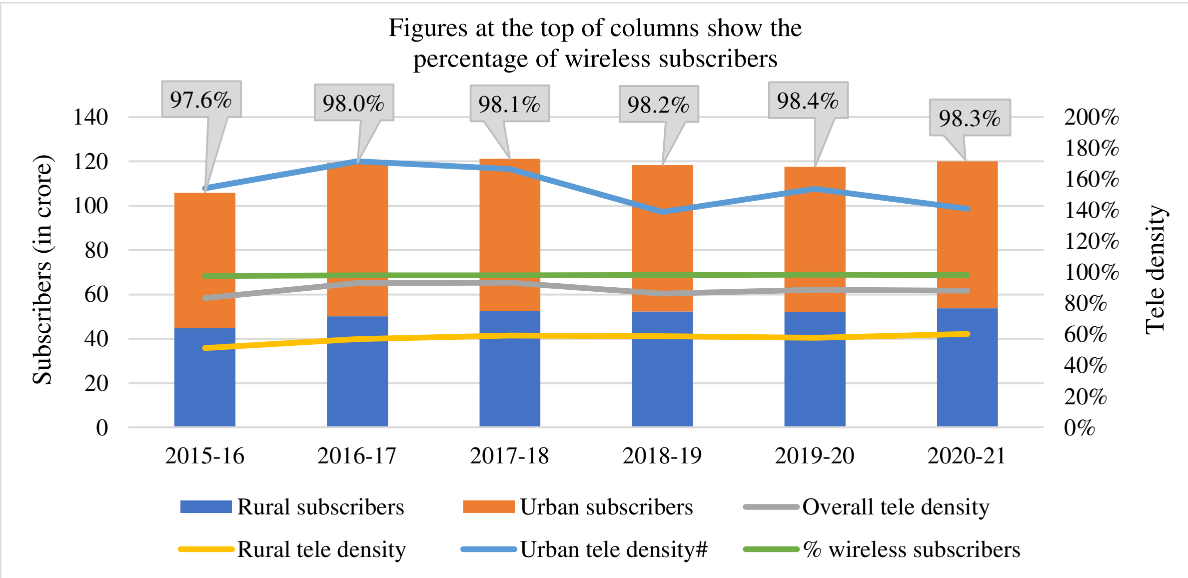
The main components of spectrum revenue are the amount collected from auction of spectrum and the spectrum usage charges. The spectrum revenue has been fluctuating during the period from 2016-17 to 2020-21 ranging from ₹53,860.69 crore during the year 2016-17 to ₹18,000.97 crore in 2017-18 due to collection of spectrum auction receipts, auction upfront receipts and auction deferred receipts. The spectrum revenue was ₹29,941.38 crore in 2020-21.

During the year 2019-20, License fee collected was ₹39,647.82 crore due to bulk collection of LF amounting to ₹29,256.31 crore in one year received from the telecom service providers in pursuance of Hon'ble Supreme Court order dated 24 October 2019, whereas in 2020-21 the License Fee collected was ₹15,273.59 crore.

1.6.1.3 Brief Profile of the Telecom Sector

Telecommunications has evolved as one of the critical components of economic growth required for overall socio-economic development of the country. The telecom sector witnessed phenomenal growth during the past decade. During the period from FYs 2016-17 to 2020-21, the number of telephone subscribers increased from 119.50 crore to 120.12 crore of which rural subscribers formed 44.74 *per cent* and urban subscribers 55.26 *per cent*. The status of overall growth for the FYs 2016-17 to 2020-21 in the Telecom Sector is given in **Figure 1.4**.

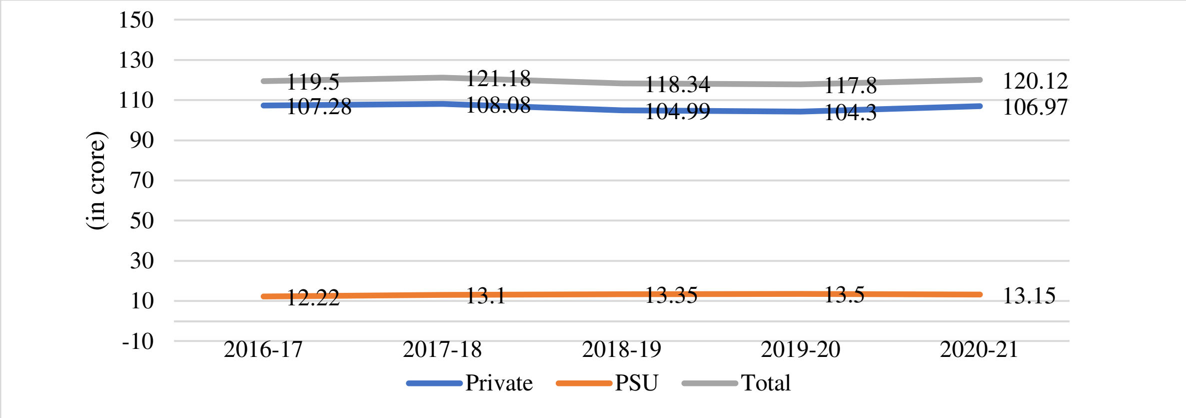
Figure 1.4: Growth of subscribers during 2016-2021



(Source: Performance indicators by TRAI)

Growth of telecom sector during the last five years in terms of subscriber base is depicted in **Figure 1.5**.

Figure 1.5: Growth in subscriber base -Private versus PSUs (Subscribers in crore)



(Source: Performance indicators by TRAI)

Figure 1.5 reveals that although there is no significant growth in subscriber base of Public Sector during the five-year period ending 31 March 2021, Private Telecom companies held around 89 *per cent* of market share in the Telecom Sector.

1.6.1.4 Major events impacting Telecom revenues during 2020-21

New Telecom Policy-1999 introduced the revenue share regime in which Telecom Service Providers (TSPs) were required to pay a "percentage of their Adjusted Gross Revenue (AGR)" as licence fee in place of the "fixed" license fee. The definition of Gross Revenue/ Adjusted Gross Revenue was disputed by the telecom service providers in various courts and the Supreme Court of India gave its judgment in October 2019, upholding the Government's definition of GR/ AGR for purpose of license fee. Consequently, based on the assessments done by DoT, the TSPs had to pay the outstanding dues. The TSPs again challenged the dues payable and the Supreme Court of India vide its judgment of September 2020 quantified the outstanding dues of the TSPs and directed them to pay the dues to the Government. For repayment of the outstanding dues by the TSPs, the Supreme Court provided a window of 10 years commencing from April 2021 to March 2031. As per the Supreme Court judgment of September 2020, the outstanding dues up to 2016-17 of some of the major TSPs towards License fee, Spectrum usage charges, interest and penalty are as per **Table 1.1**.

Table 1.1: Outstanding dues against major TSPs towards LF and SUC

(₹ in crore)

Sl No	Name of the Company	Total demand of DoT	Payment received (upto March 2020)	Balance due
1	Bharti Airtel Group	43,980	18,004	25,876
2	Vodafone Group of Companies	58,254	3,500	54,754
3	Tata Group of Companies	16,798	4,197	12,601
Total outstanding dues				**93,231**

(Source: Honourable Supreme Court's judgement of September 2020)

DoT has generally completed the assessment of License Fees for all the major TSPs up to the year 2017-18 except for the ISP licenses stated to be under litigation. For the years 2018-19 onwards the assessments were stated to be in progress for want of detailed verification reports from different CCAs under DoT.

To address major challenges faced by the Telecom Sector in India, the Government approved Telecom Reforms package, 2021 addressing the structural and procedural reforms. One of the major telecom reforms was the 'Adjusted Gross Revenue (AGR) Reforms' under which broadly the non-telecom revenue of the TSPs was not to be considered for revenue share prospectively from October 2021.

Thus, the disputes relating to revenue share have been addressed, with the stated intention of giving relief to the stressed Telecom Sector.

Further, to address the liquidity requirements of TSPs, the Cabinet approved (September 2021) moratorium/ deferment of up to four years in annual payments of dues on account of License Fee and Spectrum Usage Charges, arising out of the AGR judgment; due payments of spectrum purchased in past auctions (excluding the auction of 2021) for up to four years; option to the TSPs to pay the interest liability amount arising due to the said deferment of payment by way of equity and to convert the dues pertaining to the said deferred payment by way of equity at the end of the Moratorium/ Deferment period. Guidelines for the same were to be finalized by the Ministry of Finance.

The above measures were for providing relief by easing their liquidity and cash flow constraint. This would also help various domestic banks having substantial exposure to the Telecom sector by way of loans given to them.

Another major telecom reform was rationalization of Bank Guarantees to be provided by the TSPs. Government reduced the requirement of submitting Bank Guarantee by the Licensees to 20 *per cent* of the existing requirement. In line with the Telecom Reforms 2021, the Principal Controller of Communication Accounts, Delhi had reviewed the Bank Guarantees and released Bank Guarantees amounting to ₹1,099.15 crore to the TSPs holding different licenses under the UL-Access service, ILD (All India), NLD (All India), ISP, VSAT (LF), Access (SUC) & VSAT(SUC).

Thus Government in DoT had attempted to address major financial challenges faced by TSPs which is expected to pave the way for growth of the Telecom Sector in India.

1.6.1.5 Regulatory Framework of the Sector

a. Telecom Regulatory Authority of India

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

- ensure compliance of the terms and conditions of telecom licenses;

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

TRAI also makes recommendations either suo-motu or on a reference from the licensor i.e. DoT, MoC or Ministry of Information and Broadcasting (I&B) in the case of Broadcasting and Cable Services and the Telecom Service Providers. It publishes consultation papers on the related subjects for discussion with the stakeholders before issuing directions to them.

TRAI has utilized a sum of ₹89.78 crore out of the Grant-in-Aid of ₹110.84 crore received during the year. The functions and activities of TRAI are given in detail in their Annual Report available on TRAI website.

b. Telecom Dispute Settlement and Appellate Tribunal

Telecom Dispute Settlement and Appellate Tribunal (TDSAT) was set up on 24 January 2000 by way of an amendment to the TRAI Act to adjudicate any dispute between a licensor and a licensee, between two or more service providers, between a service provider and a group of consumers and to hear and dispose of appeals against any direction, decision or order of TRAI.

Upto the year 2021, the TDSAT had received 11,175 cumulative number of cases as Petitions, Review Applications, and transfer from TRAI/ High Court etc. They disposed off 7,251 cases and 3,924 cases were pending at various stages with the TDSAT, as on March 2021.

1.6.1.6 Universal Service Obligation Fund (USOF)

To give impetus to rural telephony, Government of India (GoI) constituted Universal Service Obligation Fund (USOF) by an Act of Parliament with effect from 01 April 2002. The resources for meeting Universal Service Obligation (USO) were to be raised through a Universal Access Levy (UAL) as a percentage of revenue earned by all telecom operators under various licenses. As per Para 9B of the Indian Telegraph Act, 2003, the sums of money received towards USOF shall be first credited to Consolidated Fund of India and the Central Government may, if the Parliament by appropriation on this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting USO.

Details of receipts and expenditure incurred out of the Fund for the last five years are given in **Table 1.2**.

Table 1.2: Details of Receipts & Expenditure incurred from USOF

(₹ in crore)

Year	Receipt (Universal Access Levy)	Transfer to the USO Fund		Actual Transfer to the Fund	Short Transfer with reference to Actual Receipts	Actual disbursement from the Fund	Balance in the Fund as per UGFA
		BE	RE				
(1)	(2)	(3)	(4)	(5)	(6)=(2)-(5)	Same as (5)	
2016-17	9,763.87	2,755.00	7,625.79	7,225.79	2,538.08	7,225.79	-1.24
2017-18	7,019.26	11,636.18	7,000.00	7,000.00	19.26	7,000.00	0.00
2018-19	6,911.50	10,000.00	5,000.00	4,788.22	2,123.28	4,788.22	0.00
2019-20	7,961.53	8,350.00	3,000.00	2,926.00	5,035.53	2,926.00	0.00
2020-21	9,471.23	8,000.00	7,200.00	7,200.00	2,271.23	7,200.00	0.00

Source: Union Government Finance accounts for FY17 to FY21

The **Table 1.2** shows that transfer of Universal Access Levy (UAL) to the designated fund was on lower side with reference to the actual receipts and short transfer of UAL was on very high side during 2019-20.

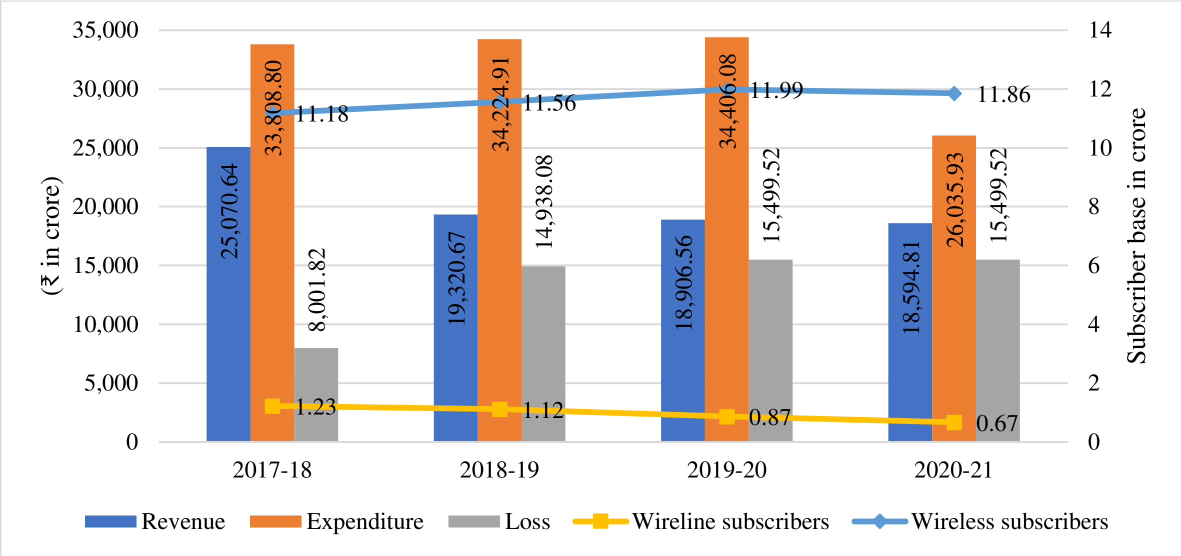
1.6.1.7 Public Sector Undertakings under administrative control of the DoT

There are total 11 PSUs under DoT. Total Capital Investment in these PSUs was ₹6,314.28 crore at the end of 31 March 2021 (Detail as per **Appendix I**). Brief profile of important PSUs under administrative control of the Department is given below:

i. Bharat Sanchar Nigam Limited (BSNL)

Bharat Sanchar Nigam Limited (BSNL), fully owned by GoI, formed in October 2000, provides telecom services across the length and breadth of the country excluding Delhi and Mumbai. BSNL is a technology-oriented company and provides various types of telecom services namely telephone services on landline, Wireless in Local Loop (WLL) and Global System for Mobile Communications (GSM), Broadband, Internet, Leased Circuits and Long-Distance Telecom Service. The Government Investment in the Company was ₹5,000.00 crore at the end of March 2021 and the total revenue and loss incurred during the year 2020-21 were ₹18,594.81 crore and ₹ 7,441.12 crore respectively. As a part of implementation of provisions of the Revival Plan approved by the Union Cabinet in October 2019, BSNL introduced Voluntary Retirement Scheme which reduced the manpower of the Company by about 53 *per cent* by the end of March 2021. The overall performance of the company in the past three years is given in **Figure 1.6**.

Figure 1.6: Performance of BSNL during last four years



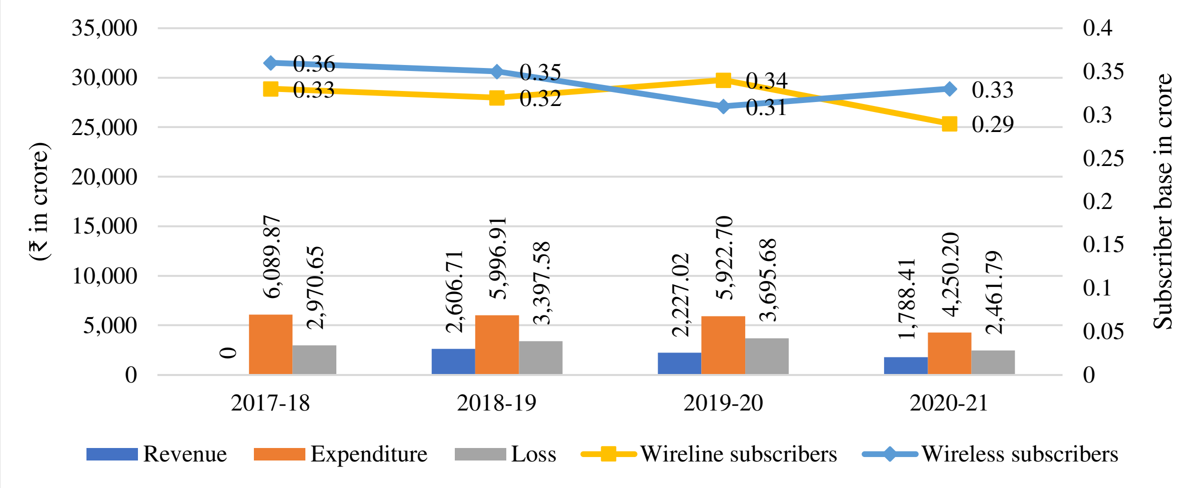
(Source: Annual Report of BSNL for 2021 and Performance indicators by TRAI)

As is evident from **Figure 1.6**, there is a steady increase in the subscriber base in the last three years, however, revenue of the Company has shown constant decline. The Company has not been able to translate the increase in subscriber base into Revenue. The Government's decision to give spectrum to the Company for 4G services did not materialize even during 2020-21.

ii. Mahanagar Telephone Nigam Limited (MTNL)

Mahanagar Telephone Nigam Limited (MTNL) was set up in 1986, under the Companies Act, 1956 as a wholly owned Government Company and is responsible for the control, management and operation of telecommunications networks in Delhi and Mumbai. MTNL is the principal provider of fixed line telecommunication services and GSM mobile services in these two metropolitan cities. MTNL also provides dial up internet services in Delhi and Mumbai under separate non-exclusive license agreement. It also provides broadband and 3G services. The Government disinvested 20 *per cent* shares to banks/ their subsidiaries and financial institutions in 1994. MTNL is a listed Company and at the end of March 2021, 56.25 *per cent* shares valuing ₹354.38 crore are with Government and rest with private shareholders. The Company's total revenue during the year 2020-21 was ₹1,788.41 crore and it incurred a loss of ₹2,461.79 crore. The overall performance of the Company in the last four years is given in **Figure 1.7**.

Figure 1.7: Performance of MTNL during last four years



(Source: Annual Report of MTNL for 2021 and Performance indicators by TRAI)

There was a continuous decline in subscriber base and so as the revenue of the Company. Union Cabinet (2019-20) had approved a "Revival plan for BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets etc. Further, the Company had implemented the Voluntary Retirement Scheme in FY 2019-20 resulting in reduction in Employees Cost. It also raised funds by issuing Bonds for ₹6,500 crore in FY 2020-21 for the Union Government's revival plan for the Company.

iii. 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 ₹0.27 crore and it earned a profit of ₹0.14 crore during the year 2020-21.

iv. 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. Government held 90 *per cent* shares of the Company as on 31 March 2021 valuing ₹840.70 crore. Total revenue and profit during the year 2020-21was ₹2,523.56 crore and ₹11.20 crore respectively.

v. Telecommunications Consultants India Limited (TCIL)

Telecommunications Consultants India Limited (TCIL), fully owned by GoI, was set-up in 1978 with the main objective of providing world class technology in all the fields of telecommunications and information technology, to excel in its operations in the overseas and domestic markets by developing proper marketing strategies and to acquire state-of-the-art technology. Government's Investment in the Company at the end of March 2021 was ₹59.20 crore. Company's total revenue and profit during the year 2020-21 was ₹1,765.80 crore and ₹52.76 crore respectively.

vi. Bharat Broadband Network Limited (BBNL)

Bharat Broadband Network Limited (BBNL), a special purpose vehicle (SPV), fully owned by GoI was incorporated in 2012 under the Companies Act, 1956 to execute BharatNet Project (erstwhile 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 fibre wherever necessary to bridge the connectivity gap between Gram Panchayats and Blocks, which would ensure broadband connectivity with adequate bandwidth. Government's total investment in the Company as on 31 March 2021 was ₹60.00 crore. The Company earned Revenue of ₹933.63 crore and profits of ₹1.44 crore during the year 2020-21.

1.6.2 Department of Posts (DoP)

The Postal network of India is one of the largest network in the world having more than 1.55 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, it also undertakes a diverse range of retail services including 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 been given the responsibility for disbursement of social benefit payments under Central Government's programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Social Security Pension Schemes.

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

To provide greater impetus to the business activities and with focus on specific customer requirements, the Department has launched several premium services such as Speed Post, Business Post, Retail Post, Logistics Post etc. and a whole gamut of e-Products such as e-post, e-payment, e-post office etc.

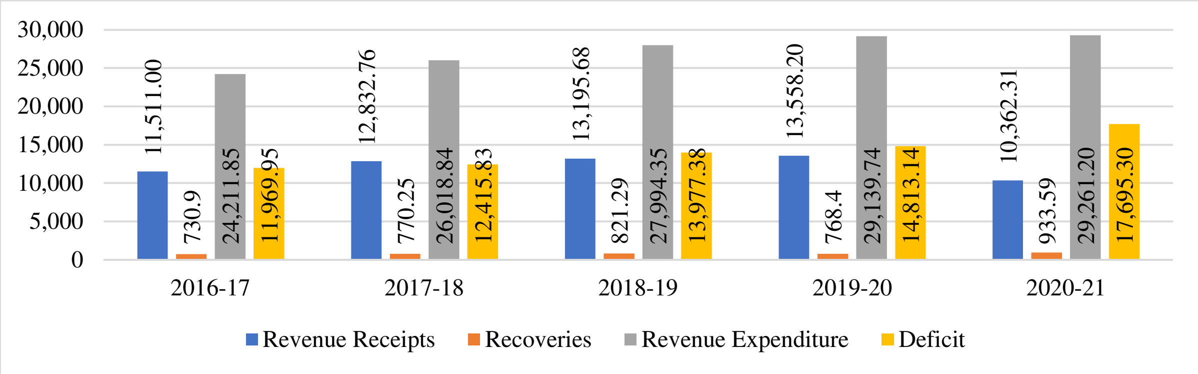
Department has implemented IT Modernisation Project with the aim of transforming operational efficiency and improving delivery services of Postal units through upgraded technology and connectivity. It has connected more than1.55 lakh post offices of which 90 *per cent* are in rural areas of the country thus enabling tracking and tracing of all kinds of accountable mails, parcels and other operations/services of the Department.

1.6.2.1 Financial Performance

The earnings of the Department are in the form of 'Revenue Receipts' and 'Recoveries[1]'. The revenue receipts, recoveries and revenue expenditure of DoP for the years 2016-17 to 2020-21 are shown in **Figure 1.8**.

Figure 1.8: Revenue Receipts and Revenue Expenditure of DoP

(₹ in crore)



(Source: Finance and Appropriation Accounts of DoP for the years 2016-21)

The revenue receipts slightly decreased from ₹11,511.00 crore in 2016-17 to ₹10,362.31 crore in 2020-21. Although there has been a steady increase in Revenue Receipts as well as Recoveries during the last three years, the Deficit continued to grow due to rise in Revenue Expenditure which increased from ₹29,139.74 crore in 2019-20 to ₹29,261.20 crore. The increase in Revenue Expenditure has been attributed by the Department to increase in working expenses such as Salary, Office Expenses, Professional Services and Other Charges etc.

1.6.2.2 Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI)

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

It now covers employees of Central and State Governments, Central and State Public Sector Undertakings, Universities, Government aided Educational Institutions, Nationalized Banks, Local bodies, autonomous bodies, joint ventures having a minimum of 10 *per cent* Government/ PSU stake, credit cooperative societies etc. PLI also extends insurance cover to the officers and staff of the Defence services and Paramilitary forces.

Rural Postal Life Insurance (RPLI) was introduced on 24 March 1995 for rural people of India on recommendations of the Official Committee for reforms in the Insurance Sector headed by Shri R N Malhotra, former Governor, Reserve Bank of India. The prime objective of the scheme is to provide insurance cover to the rural public in general and to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness

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

among the rural population. The trend of PLI and RPLI Business during the period 2014-21 is given in **Table 1.3**.

Table 1.3: Trend of Business of PLI and RPLI in DoP

Year	Postal Life Insurance		Rural Postal Life Insurance	
	Number of Policies in Force	Sum Assured (₹ in crore)	Number of Policies in Force	Sum Assured (₹in crore)
2014-15	52,42,257	1,09,106.93	1,52,45,387	82,822.26
2015-16	49,30,838	1,09,982.10	1,49,15,652	81,733.73
2016-17	46,80,013	1,13,084.81	1,46,84,096	83,983.47
2017-18	43,59,855	1,16,499.40	1,36,61,694	80,811.39
2018-19	39,33,973	1,17,045.90	1,30,80,337	80,568.72
2019-20	Statistical data pertaining to breakup of new businesses/lapses etc. is not obtained.			
2020-21	45,45,642	NA*	51,10,828	NA*

**Total sum insured not provided.*

Number of new policies issued during during the period 2014-21 is shown in **Table 1.4**.

Table 1.4: New Policies issued in respect of PLI and RPLI in DoP

Year	Postal Life Insurance		Rural Postal Life Insurance	
	Number of Policies Issued during the year	Sum Assured (₹ in crore)	Number of Policies Issued during the year	Sum Assured (₹ in crore)
2014-15	3,24,022	14,276.92	4,77,360	4,652.36
2015-16	1,98,606	9,644.98	2,58,225	2,668.91
2016-17	2,13,323	11,096.68	3,75,134	6,850.46
2017-18	2,43,654	13,305.73	5,23,899	7,298.29
2018-19	2,89,908	17,094.44	7,72,650	9,875.79
2019-20	Statistical data pertaining to breakup of new businesses/lapses etc. is not obtained.			
2020-21	2,85,032	18,707.04	7,09,344	10,673.34

(Source: Appropriation accounts for the years 2014-21)

The above tables reveal that although number of policies being issued each year as well as sum assured for these policies under PLI as well as RPLI have shown an increasing trend up to 2018-19 the number of policies issued has slightly been declined in 2020-21.

1.6.2.3 Public Sector Undertakings under the Administrative Control of DoP

Department of Posts had only one PSU namely, India Post Payments Bank Limited, incorporated in August 2016.

i. India Post Payments Bank Limited (IPPB)

India Post Payments Bank Limited (IPPB) was incorporated as a Public Limited Company on 17 August 2016, under the DoP, with 100 *per cent* equity from Government of India with the vision to promote financial inclusion and increase access of the people to the formal financial system. Two pilot branches of the Bank were launched on 30 January 2017 at Ranchi in Jharkhand and Raipur in Chhattisgarh and PAN India operations were launched on 01 September 2018. IPPB offers demand deposits such as savings and current accounts up to a balance of ₹1 lakh, digitally enabled payments and remittance services between entities and individuals and also provides access to third-party financial services, such as insurance, mutual funds, pension, credit products and forex in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organizations, etc.

The total Capital Investment of government in this PSUs was ₹1,255.00 crore at the end of 31 March 2021. The Company's total revenue was ₹213.13 crore and it incurred a loss of ₹320.54 crore during the period ending 31 March 2021. IPPB has utilized the Grants amounting ₹389.50 crore out of total approved Grants of ₹400 crore till 31st March 2021 (detail as per **Appendix I**)

1.7 Ministry of Electronics and Information Technology (MeitY)

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

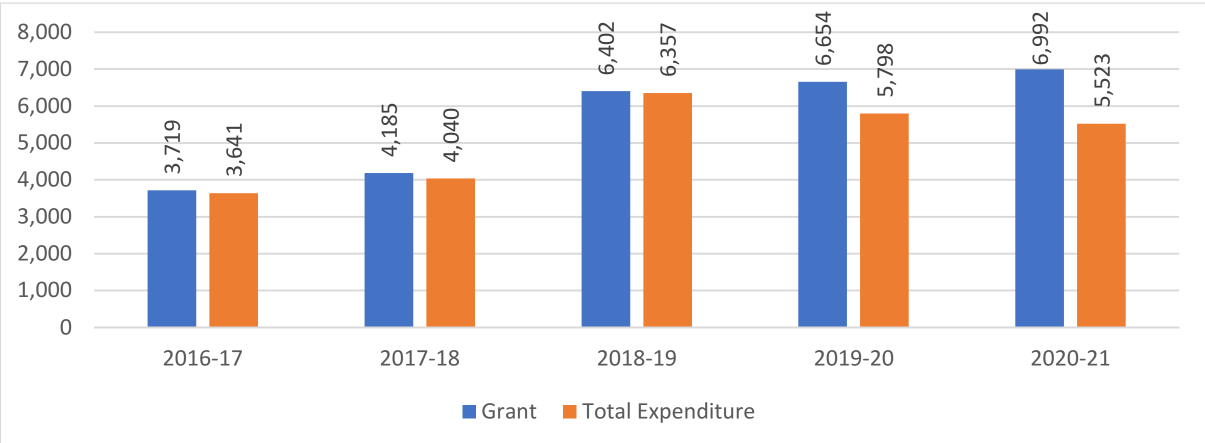
In order to operationalise the objectives of MeitY, schemes are formulated and implemented, either directly or through its Responsibility Centres (Organisations/ Institutions) under its jurisdiction. To make the technology robust and state-of-the-art, collaborations with the academia and the private/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

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

In order to carry out its functions, MeitY is provided with budgetary support in the form of Grants from the GoI. The Grants received vis-à-vis Expenditure incurred by MeitY during the period from 2016-17 to 2020-21 is given in **Figure 1.9**.

Figure1.9: Grants and Expenditure of MeitY during 2016-21

(₹ in crore)



(Source: Finance and Appropriation Accounts of MeitY for the years 2016-21)

In 2020-21, the total grant of MeitY was ₹6,992.05 crore which slightly increased from the previous year (five (5) *per cent* approx.). Likewise, expenditure of MeitY in 2020-21 was ₹5,523.20 crore showing decline from the previous year (five (5) *per cent* approx.).

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

1.7.1 Profile of Attached Offices of MeitY

i. 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.

ii. Standardisation, Testing and Quality Certification Directorate (STQC)

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

iii. Unique Identification Authority of India (UIDAI)

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

Prior to its establishment as a statutory authority, UIDAI was functioning as an attached office of the then Planning Commission (now NITI Aayog) vide its Gazette Notification dated 28 January 2009. Later, on 12 September 2015, the Government revised the Allocation of Business Rules to attach the UIDAI to the Department of Electronics & Information Technology (DeitY) of the then Ministry of Communications and Information Technology.

UIDAI was created with the objective of issuing Unique Identification numbers (UID), a unique identity named as "Aadhaar", to all residents of India that is (a) robust enough to eliminate duplicate and fake identities, and (b) can be verified and authenticated in an easy, cost-effective way. As of 31 March 2021, UIDAI had generated ₹129.04 crore Aadhaar numbers for the residents in the country.

UIDAI received Grant-in-aid of ₹756.78 crore during 2021-21 and they spent ₹743.78 crore. UIDAI also earns revenue by way of fees received for rendering Authentication and Enrolment services. All receipts are credited to the UIDAI Fund created by the Government with effect from March 2019.

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

There are total four PSUs under MeitY. The total Capital Investment in these PSUs was ₹60.26 crore at the end of 31 March 2021(Detail as per **Appendix I**) Brief profile of important PSUs under administrative control of the Department is given below.

i. Digital India Corporation (DIC)

Digital India Corporation, formerly known as Media Lab Asia, is a 'not for profit' company set up under Section 25 of the Companies Act, 1956 with an objective to bring the benefits of ICT to the common man. The application areas of the company include use of ICT for Healthcare, Education, Livelihood and Empowerment of Disabled. It is a company which is limited by guarantee and does not have any share capital. The audit of this company was entrusted to CAG under the provisions of Sections 143(5) and 143(6) of Companies Act, 2013. The company works with leading institutions for undertaking development work. It had total income of ₹152.76 crore (mainly on account of Grant-in-Aid) during the year ended 31 March 2021.

ii. National Informatics Centre Services Inc. (NICSI)

National Informatics Centre Services Inc. (NICSI) was set up in 1995 under Section 25 of the Companies Act, 1956 under National Informatics Centre to provide total IT solutions to the Government organizations. The main objectives of NICSI are to provide economic, scientific, technological, social and cultural development of India by promoting utilization of Information Technology. The Company's total revenue during the year 2020-21 was ₹1,356.61 crore and it earned a profit of ₹98.23 crore.

iii. CSC e-Governance Services India Limited

Common Service Centers (CSC) scheme is one of the mission mode projects under the Digital India Programme. CSC e-Governance Services India Limited, a Special Purpose Vehicle, has been set up by the MeitY under the Companies Act, 2013 to oversee implementation of the CSC scheme. CSC SPV provides a centralized collaborative framework for delivery of services to citizens through CSCs, besides ensuring systemic viability and sustainability of the Scheme. Paid up Capital of the company was ₹58.26 crore; total revenue during the year 2020-21was ₹1,441.81 crore and it earned a profit of ₹124.96 crore.

iv. CSC Wi-Fi Choupal Services India Private Limited

In early 2016, CSC Wi-Fi Choupal Service India Pvt. Ltd was introduced for development of affordable and reliable ICT solution in the rural areas. The initiative focuses on enhancement of Internet connectivity at the last mile leveraging of Bharat Net infrastructure Wi-Fi Choupal essentially facilitates a service delivery ecosystem which can be used to deliver the following services.

- ❖ Broadband Connectivity for all across the Gram Panchayats & villages.
- ❖ Fibre maintenance, GPON infrastructure with professional teams.
- ❖ Wi-Fi audio/ video calling solutions
- ❖ Offline content streaming that includes regional and multilingual content.
- ❖ Application development & support to various government institutions.

The Company's total revenue during the year 2020-21 was ₹211.66 crore and it earned a profit of ₹13.91 crore.

1.8 Ministry of Finance (MoF)

1.8.1 Department of Economic Affairs (DEA)

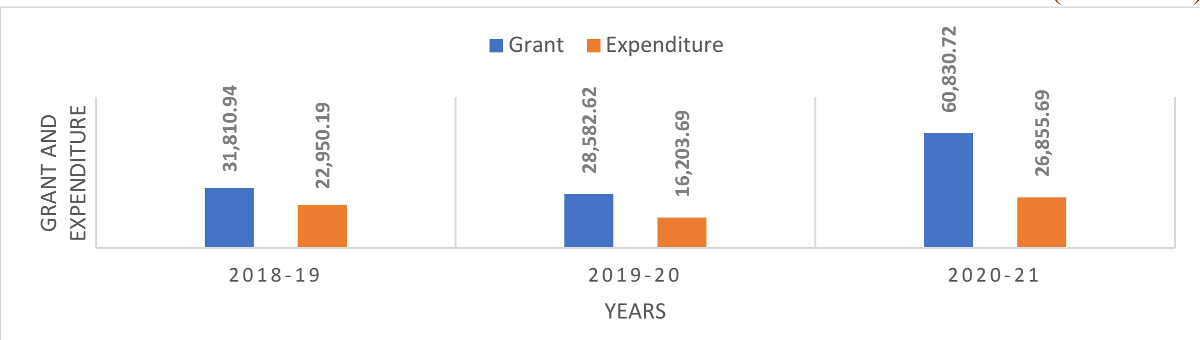
DEA is responsible for advice on economic issues having a bearing on internal and external aspects of Indian Economy including inflation, price control, foreign exchange management, Official Development Assistance, domestic finance and preparation of Union Budget, bilateral and multilateral engagement with international financial institutions and other countries. The Department maintains the cadre of Indian Economic Service. DEA is divided into fifteen functional divisions viz. (i) Administration & Coordination, (ii) Bilateral Cooperation (iii) Budget, (iv) Economic Division, (v) Financial Markets, (vi) Currency & Coin, (vii) Investment, (viii) Infrastructure Policy & Finance (ix) International Economic Relations, (x) Fund Bank & ADB, (xi) UN & Other Multilateral Institutions, (xii) Financial Sector Reforms & Legislation, (xiii) Financial Stability & Cyber Security, (xiv) Aid, Accounts and Audit, (xv) Statistical and Data Analysis and Monitoring.

1.8.1.1 Grant and Expenditure of DEA

The comparative position of Grant and expenditure of DEA during FY 2018-19 to 2020-21 is given in **Figure 1.10**.

Figure 1.10: Grant and Expenditure of DEA

(₹ in crore)



(Source: Appropriation Accounts of DEA for the years 2018-21)

In 2020-21, the total Grant of DEA was ₹60,830.72 crore which was more than double of the previous year. This was mainly due to increased allocation for other General Economic Services, for the support for Infrastructure pipeline, Investment in International Financial Institutions and Capital outlay on Currency, Coinage and Mint. Expenditure of DEA in 2020-21 was ₹26,855.69 crore as against ₹16,203.69 crore in 2019-20, which was approximately 66 *per cent* higher than the previous year, but the savings at ₹33,975.03 crore were substantial reflecting poor budgeting in the Department. This was mainly due to postponement of various expenses and less deposit of Gold due to COVID -19 pandemic.

1.8.1.2 Regulatory Framework of the Sector

Securities Exchange Board of India (SEBI)

SEBI is a statutory regulatory body established on 12 April 1992 with an objective of monitoring and regulating the Indian capital and securities market while ensuring to protect the interests of the investors, formulating regulations and guidelines.

The basic functions of SEBI are:

i. The regulations of the stock exchange and capital market.
ii. Prohibition of fraudulent and unfair trade.
iii. Improving education and training of intermediaries of the securities market.
iv. Promoting investors and registering intermediaries.
v. Regulating substantial acquisition of shares and takeovers of companies.

SEBI did not receive any Grant in Aid/ Subsidy from the Government of India during 2020-21 and was able to function out of its own resources.

1.8.1.3 Public Sector Undertakings under administrative control of the DEA

There are four PSUs under DEA. The total Capital Investment in these PSUs was ₹3,587.52 crore at the end of 31 March 2021. Brief profile of these PSUs is given below.

i. Securities Printing and Minting Corporation of India Limited (SPMCIL)

Security Printing and Minting Corporation of India Limited (SPMCIL), a wholly owned Schedule 'A' Miniratna Category-I Company of Government of India was incorporated on 13 January 2006 to manage, control, maintenance and operations of the erstwhile nine production units under Currency and Coinage division, DEA, Ministry of Finance, Government of India. SPMCIL, technically a new entity, has centuries-old experience in Security Printing and Minting.

SPMCIL is engaged in the manufacture/ production of Currency and Bank Notes, Security Paper, Non-Judicial Stamp Papers, Postal Stamps & Stationary, Travel Documents viz. Passport and Visa, Security certificates, Cheques, Bonds, Warrant, Special Certificates with security features, Security Inks, Circulation & Commemorative Coins, Medallions, Refining of Gold & Silver, and Assay of Precious Metals. Total Government's investment in the Company was ₹987.50 crore as on 31 March 2021. Company's total revenue during the year 2020-21 was ₹4,883.74 crore and it earned a profit of ₹423.81 crore.

ii. Bhartiya Reserve Bank Note Mudran Pvt Ltd (BRBNMPL)

Bhartiya Reserve Bank Note Mudran Pvt Ltd (BRBNMPL) is a specialised division of the Reserve Bank of India established in 1995. It mints Indian bank notes and coins. BRBNMPL supplies a major portion of bank note requirement in the country with the remaining requirements being met through SPMCIL. The present capacity for the presses is 16 billion note pieces per year on a two-shift basis. Total Government's investment in the company was ₹1,800.00 crore as on 31 March 2021 and Company's total revenue during the year 2020-21 was ₹2,806.17 crore and it earned a profit of ₹446.83 crore.

iii. Bank Note Paper Mill India Private Limited (BNPMIPL)

Bank Note Paper Mill India Private Limited (BNPMIPL) has been incorporated and registered on 13 October 2010 as a Joint Venture between SPMCIL and BRBNMPL for production of Bank note papers. Total Government's investment in the Company was ₹800.00 crore as on 31 March 2021. Company's total revenue during the year 2020-21 was ₹1,126.46 crore and it earned a profit of ₹271.21 crore.

iv. National Investment and Infrastructure Fund Trustee Ltd. (NIIFTL)

National Investment and Infrastructure Fund Trustee Ltd. (NIIFTL) is India's first infrastructure specific investment fund or a sovereign wealth fund that was set up by the Government of India in February 2015. The objective behind creating this fund was to maximize economic impact in commercially viable projects, both Greenfield and Brownfield, mainly through infrastructure investment.

NIIFTL manages three funds viz. Master Fund, Fund of Funds and Strategic Fund. The funds were set up to make infrastructure investments in India by raising capital from domestic and international institutional investors. Total Government's investment in the company is ₹0.02 crore and Company's total revenue during the year 2020-21 was ₹0.22 crore and it earned a profit of ₹0.05 crore.

1.8.2 Department of Expenditure (DoE)

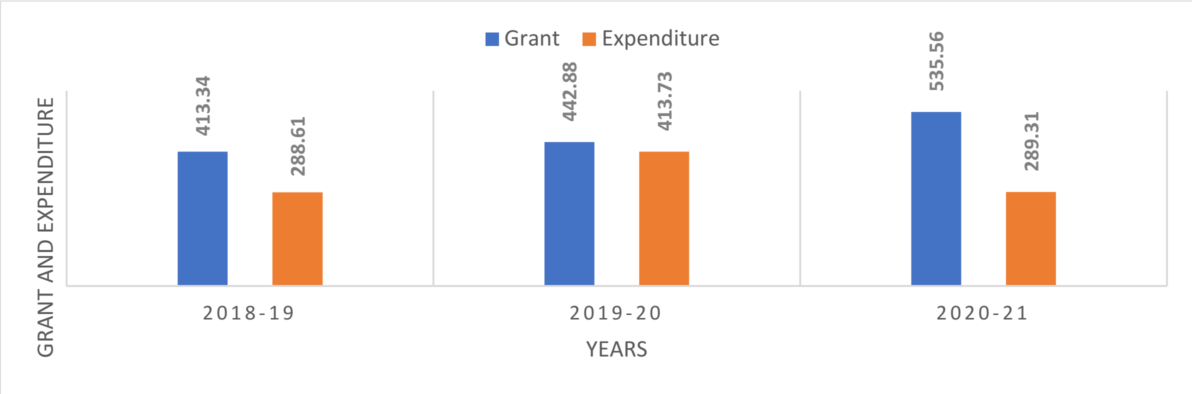
DoE is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with state finances. It is responsible for the implementation of the recommendations of the Finance Commission and Central Pay Commission, monitoring of audit comments/ observations, preparation of Central Government Accounts. It further assists central Ministries/ Departments in controlling the costs and prices of public services, reviewing system and procedure to optimize outputs and outcomes of public expenditure. The principal activities of the Department include overseeing the expenditure management in the central Ministries/ Departments through the interface with the Financial Advisers and the administration of the Financial Rules/ Regulations/ Orders, pre-sanction appraisal of major schemes/ projects, handling bulk of the central budgetary resources transferred to State.

1.8.2.1 Grant and Expenditure of DoE

The comparative position of Grant and expenditure of DoE during FY 2018-19 to 2020-21 is given in **Figure 1.11**.

Figure 1.11: Grant and Expenditure of DoE

(₹ in crore)



(Source: Appropriation Accounts of DoE for the years 2018-21)

Grant for the year 2020-21 was ₹535.56 crore as against ₹442.88 crore for 2019-20 whereas Expenditure for the year 2020-21 was ₹289.31 crore as against ₹413.73 crore during 2019-20. There was slight increase in Grant of DoE in 2020-21 from the previous year whereas the expenditure had fallen by 30 *per cent* approximately. The Department attributed the savings in the head due to less tours undertaken, non-procurement of computer/ software, less hiring of consultants owing to COVID-19 pandemic and delays in hiring of new building by office of Controller General of Accounts (CGA).

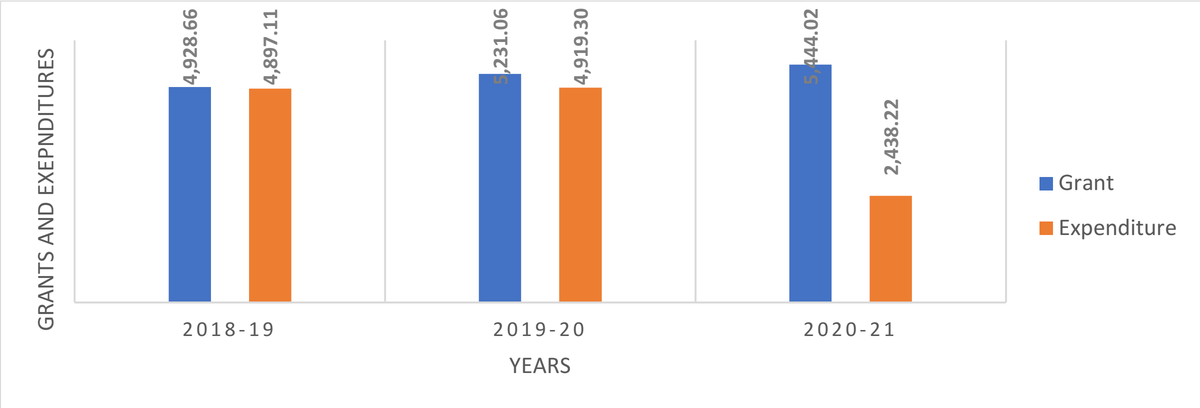
1.9 Ministry of Statistics and Programme Implementation (MoSPI)

MoSPI is a ministry of Government of India concerned with coverage and quality aspects of statistics released. The surveys conducted by the Ministry are based on scientific sampling methods. The Ministry came into existence as an Independent Ministry on 15 October 1999 after the merger of the Department of Statistics and the Department of Programme Implementation. The Ministry has two wings, one relating to Statistics and the other Programme Implementation. The Statistics Wing called the National Statistical Office (NSO) consists of the Central Statistical Office (CSO), the Computer Centre and the National Sample Survey Office (NSSO). The Programme Implementation Wing has three Divisions, namely, (i) Twenty Point Programme (ii) Infrastructure Monitoring and Project Monitoring and (iii) Member of Parliament Local Area Development Scheme. Besides these two wings, there is National Statistical Commission created through a Resolution of Government of India (MOSPI) and one autonomous Institute, viz., Indian Statistical Institute declared as an institute of National importance by an Act of Parliament.

The comparative position of Grant and expenditure of MoSPI during FY 2018-19 to 2020-21 is given in **Figure 1.12**. Grant for the year 2020-21 was ₹5,444.02 crore as against ₹5,231.06 crore for 2019-20 whereas Expenditure for the year 2020-21 was ₹2,438.22 crore as against ₹4,919.30 crore during 2019-20. There was slight increase in Grant of MoSPI in 2020-21 from previous year whereas the expenditure had reduced to more than half of the previous year. This was due to savings in this head because of imposition of Model code of conduct in some States, non-receipts of complete proposals from District Administration and suspension of MPLADS Scheme by the MoF owing to COVID-19 pandemic.

Figure 1.12: Grant and Expenditure of MoSPI

(₹ in crore)



(Source: Appropriation Accounts of DoE for the years 2018-21)

1.10 Recoveries at the instance of Audit

During the year 2019-20 and 2020-21, recoveries amounting to ₹3,822.80 crore were pointed by the Audit in all the Ministries and the CPSEs/ ABs through Inspection Reports. Out of this, the departments/ auditee units accepted recoveries of ₹3,140.85 crore and effected recoveries of ₹250.66 crore.

1.11 Response of the Ministries/ Departments to Audit Paragraphs

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

Concerned Ministries/ Departments did not send replies to three (3) out of 13 paragraphs as at the end of March 2022, featured in Chapters II to VII. The response of the concerned Ministries/ Departments received in respect of remaining paragraphs have been considered and suitably incorporated in the Report.

1.12 Follow up on Audit Reports-Civil

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

Further, the Committee, in their Eleventh Report (Fifteenth Lok Sabha) presented to the Parliament on 29 April 2010, recommended that the Chief Accounting Authorities should be made personally accountable in all cases of abnormal delays in taking remedial action and submitting ATNs to PAC.Subsequently, a Monitoring Cell was created under the Department of Expenditure which is entrusted with the task of coordination and collection of the ATNs from all Ministries/ Departments concerned duly vetted by Audit and sending them to the Public Accounts Committee within the stipulated period of four months from the date of presentation of the Audit Report to the Parliament.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Communications & IT) up to December 2021 revealed that ATNs in respect of 48 paragraphs relating to MoC, MeitY, MoF and MoSPI were pending at various stages. Year wise details are indicated in **Appendix II**.

1.13 Follow up on Audit Reports - Commercial

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

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

In the meeting of the Committee of Secretaries, it was decided (June 2010) 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 December 2021 revealed that ATNs in respect of 78 paras were pending as of March 2021 as detailed in the **Appendix III**.

1.14 Status of Accounts of Autonomous Bodies/ Public Sector Undertakings of MoC/ MeitY/ MoF

The status of submission of Accounts, Certification and submission to Parliament along with reasons for delay in submission etc., in respect of Autonomous Bodies (ABs) and Public Sector Undertakings (PSUs) under the Administrative control of Ministries/ Departments under the Audit jurisdiction of this office for the years 2019-20 and 2020-21 are detailed in the **Appendix IV**.

SECTION A

Ministries/ Departments

Chapter II — Department of Telecommunications

2.1 Short levy of License Fee on Tata Communications Ltd (TCL)

The Revenue Share relating to NLD, ILD and ISP-IT licences of Tata Communications Ltd (TCL) for the period 2006-07 to 2017-18, disclosed under reporting of GR and AGR by TCL of ₹13,252.81 crore and consequently short levy of LF was ₹950.25 crore. After deducting the DoT assessment of LF of ₹305.25 crore, the License Fee demanded from TCL by DoT was short by ₹645 crore for the said period, which needs to be demanded and recovered.

2.1.1 Introduction

The Department of Telecommunications (DoT) enters into License Agreements with various Service Providers (SPs) for providing various telecommunications services. These agreements lay down the terms and conditions for provision of the telecommunications services including payment of an annual license fee. After the introduction of the revenue sharing regime (August 1999), licensee companies/ SPs are required to pay an annual license fee (LF) to the DoT at an agreed percentage of the reported Adjusted Gross Revenue (AGR) for a licensed service. Gross Revenue (GR), deductions and Adjusted Gross Revenue (AGR) are defined in the license agreements issued by the DoT.

The correctness and completeness of the revenue share paid to Government is dependent on ensuring that GR/ AGR is computed by SPs as per license conditions and DoT has systems in place to verify/ assess correctness of the same. The responsibility for the assessment of GR and final computation of the revenue share payable is that of the License Finance (LF) wing in DoT, which undertakes this assessment based on audited AGR and reports/reconciliation statements received from the Private Service Providers (PSPs).

The LF paid by SPs constitute revenue receipts of the Government. Thus, besides the verifications undertaken by DoT of the payments made by SPs, LF receipts are also subject to audit by the C&AG under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In addition, Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and other Documents) Rules, 2002 also mandate audit of LF paid by SPs by the C&AG. In the past, audit of Revenue Shared/ LF paid by some PSPs[2] for the years 2006-07 to 2014-15 was done by the C&AG during the years 2014-15 and 2015-16 and findings thereof, have been reported in Report Nos. 4 of 2016, 11 and 35 of 2017.

[2] Bharti Airtel Ltd. and Bharti Hexacom Ltd., Vodafone India Ltd., Reliance Communications Ltd. and Reliance Telecom Ltd., Idea Cellular Ltd. and Aditya Birla Telecom Ltd., Tata Teleservices Ltd. and Tata Teleservices (Maharashtra) Ltd., Aircel Group (Dishnet Wireless Ltd., Aircel Ltd., Aircel Cellular Ltd.), Sistema Shyam Teleservices Ltd. and Shyam Internet Services Ltd., Telenor (India) Communication Ltd., Videocon Telecommunication Ltd., Quadrant Televentures Ltd., Reliance Jio Infocomm Ltd.

2.1.2 LF assessment of Tata Communications Ltd (TCL)

2.1.2.1 Licenses held by TCL

Tata Communications Ltd (TCL)[3] is a SP licensed to provide a range of telecom services viz. international and national voice and data traffic under International Long Distance (ILD) and National Long Distance (NLD) licenses, and Internet Services under an Internet Service Provider-IT (ISP-IT) license. It has held the ILD and NLD licenses since 2002 and ISP-IT license since 1999. As per conditions of these License Agreements, TCL like all SPs is required to pay an annual license fee (LF) to the DoT, which was a specified percentage of the reported Adjusted Gross Revenue (AGR) for each licensed service. LF is thus, dependent on Gross Revenue (GR), deductions and Adjusted Gross Revenue (AGR) as defined in the ILD, NLD and ISP-IT License Agreements.

2.1.2.2 Gross Revenue, Adjusted Gross Revenue and License Fee applicable for ILD, NLD and ISP-IT licenses of TCL

The definition of GR and AGR as appearing in the ILD, NLD and ISP (IT) Agreements are as follows.

(i) International Long Distance (ILD)

GR shall include all revenues accruing to the licensee on account of goods supplied, services provided, leasing of infrastructure, use of its resources by others, application fee, installation charges, call charges, late fees, sale proceeds of instruments (or any terminal equipment including accessories), handsets, bandwidth, income from Value Added Service, supplementary services, access or interconnection charges, any lease or rent charges for hiring of infrastructure etc., and any other miscellaneous items including interest, dividend etc., without any set-off for related expense, etc. AGR for the purpose of levying LF as a percentage of revenue, shall mean the GR as reduced by

- ❖ Call charges (access charges) actually paid to other telecom service providers for carriage of calls;
- ❖ Service tax for provision of service and sales tax actually paid to the Government if gross revenue had included the component of Sales tax and Service tax.

(ii) National Long Distance (NLD)

Revenue for the purpose of levying LF as a percentage of revenue, shall mean the gross total revenue/ income accruing to the Licensee by way of providing NLD service under the license including the revenue on account of supplementary/ value added services and leasing of infrastructure, interest, dividend etc., as reduced by the "component part of a pass-through nature, payable to other service providers to whose networks the Licensee's network is interconnected for the carriage of calls. The GR shall also include previous debits (e.g. bad debts recovered in excess of provisions in earlier years). In addition, Service tax and sales tax collected and passed to the Government from customers of the Licensee shall not form a part of the revenue.

[3] Previously known as Videsh Sanchar Nigam Limited (VSNL).

(iii) Internet Service Provider-IT (ISP-IT)

Gross revenue shall be inclusive of internet access service, internet content service, Internet Telephony service, installation charges, late fees, sale proceeds of terminal equipment, revenue on account of interest, dividend, value added services, supplementary services, revenue from permissible sharing of infrastructure, and any other miscellaneous revenue, without any set off for related item of expenses, etc. For the purpose of arriving at the AGR the following shall be excluded from the GR to arrive at the AGR.

- Charges from internet access, internet content and internet access related installation charges
- Service tax on provision of service and sales tax actually paid to the Government if gross revenue had included the component of Sales tax and Service tax.

The rate of LF payable for all three licenses 01 April 2006 onwards up to 2017-18, was as given in **Table 2.1**.

Table 2.1: License types and applicable rates

Type of license		2006-07 to 2011-12	2012-13: 01.04.12 to 30.06.12	2012-13: 01.07.12 to 31.03.13	2013-14 to 2017-18
NLD	All India	6%	6%	7%	8%
ILD	All India				
ISP-IT	All service areas				

2.1.3 Rationale, methodology, scope and criteria of audit.

The audit of assessment of LF/ revenue share in case of TCL could not be taken up along with the audit of other PSPs in 2014-15, as the company did not provide required documents to audit and refused audit in their premises on the plea that being an ILD, NLD and ISP service provider[4], the Supreme Court judgment of 17 April 2014 was not applicable to them. As a result, audit of assessment of LF of M/s TCL for the years 2006-07 to 2017-18 as a DoT licensee, was conducted at the DoT headquarters during October 2017/ January 2018 and July 2019. The audit was undertaken as in the case of "Revenue Shared Audits" for other PSPs under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

This audit was based on an examination of audited AGR statements, reconciliation statements, Profit and Loss Accounts and Balance Sheet of the SP submitted by them to DoT. DoT's assessment of GR, AGR and LF for the period, were also examined. The audit covered the period 2006-07 to 2017-18 and the LF payable under all the three licenses viz. NLD, ILD and ISP-IT Licenses. Audit was done with reference to provisions of License Agreements as amended from time to time, and instructions issued by DoT on collection of LF and Spectrum Usage Charges.

[4] Revenue sharing conditions are applicable to all the licensees i.e. providing Mobile services as well as Internet Service Providers etc.

2.1.4 Audit Findings

Findings from the audit examination of records (Audited AGR statements and accompanying reconciliation statements; Profit and Loss accounts and Balance Sheet) of M/s TCL for the period from 2006-07 to 2017-18, submitted by them to DoT are detailed in the succeeding paragraphs.

2.1.4.1 Exclusion of "Revenue from Telecom Services and Other/ Misc. Income" from computation of GR/ AGR

During the period covered under this audit, it was observed that TCL had not included substantial revenue accruing from telecom services, and under "Other/ Misc. Income" while computing GR/ AGR of the three licenses.

(i) Exclusion of Revenues from computation of GR

The check of records of TCL provided to audit disclosed that during the period covered by audit, whereas TCL had accounted ₹5,048.52 crore as income in its books (consisting of "Dark Fibre" income, revenue from Data Centre Services, income from sale and rental of customer premises equipment, income pertaining to hived-off retail Business Undertaking of the company, income from Management Consultancy Services, revenue from IP services, income from transponder leases, income from Television up-linking, revenues from billing and support services from Neotel[5], Business Messaging Services, Audio Web Conferencing), but the Company had not included these revenues and incomes as revenue earned for the purpose of computing GR/ AGR of the ILD, NLD and ISP-IT licenses. This was in violation of the License Agreements which provided for considering "all revenue and incomes" accruing to the licensee for computing GR/ AGR for the purpose of determining the LF payable.

(ii) Exclusion of "Other and Miscellaneous" Income

In addition to the above, TCL had accounted ₹6,634.25 crore in its books, under heads such as "Interest income", "Interest on Income Tax Refund", "Dividend Income", "Profit on sale of current investment", "Profit on sale of Long Term Investment", "Profit on sale of Fixed Assets", "Rental Income", "Exchange Gain", "Miscellaneous Income", "Guarantee Income from Subsidiaries" and Input credit against certain statutory obligations. Though the License Agreement provided for considering all these items of income for computation of GR/ AGR for the purpose of LF calculation, M/s TCL had not included these incomes earned during the period covered by audit, for calculating GR/ AGR of its ILD, NLD and ISP-IT licenses.

Though TCL had paid LF dues on the basis of self-assessments on the audited AGR regularly, non-inclusion of the aforesaid items of revenue and income pertaining to the period from 2006-07 to 2017-18, resulted in understatement of GR/ AGR by ₹11,682.77 crore and short levy/ payment of LF of ₹847.01 crore to the Government.

[5] Neotel was previously SNO Telecommunications, and the second national Operator (SNO) for fixed line telecommunication services in South Africa.

2.1.4.2 Non consideration of revenue from Internet services in GR

Under the ISP (IT) License the definition of Gross revenue provides that GR shall be inclusive of revenue from internet access service, internet content service, Internet Telephony service, etc., without any set off for related item of expenses, etc. Further, from the GR the permissible deductions to arrive at the AGR are only the charges from internet access, internet content and internet access related installation charges.

Scrutiny of financial statements and the revenue reconciliation statements of TCL for the years 2006-07 to 2017-18 revealed that during 2010-11 to 2013-14, TCL had earned 'Revenue from Internet services' amounting to ₹1,032.28 crore. This revenue was not considered by TCL in its Gross Revenue ab-initio resulting in under reporting of GR violating the definition of GR as per the Licence Agreement. Thus, non-consideration of revenue of ₹1,032.28 crore from Internet services by TCL to arrive at the GR for the years 2010-11 to 2013-14 resulted in under reporting of GR and consequent short payment of LF by ₹69.57 crore.

2.1.4.3 Inadmissible deductions from GR to arrive at AGR of ILD, NLD and ISP-IT licenses

Though the different License Agreements between DoT and TCL did not permit certain deductions from the GR, audit examination showed that TCL availed inadmissible deductions from GR to arrive at AGR of ILD, NLD and ISP-IT licenses. These deductions made during the period 2006-07 to 2017-18 which were in contravention of the respective License Agreements, are discussed below.

(i) Inadmissible deductions in the case of ILD License

The ILD License Agreement provides for deductions from GR to arrive at AGR, of only call charges (access charges) actually paid to other telecom service providers for carriage of calls, and Service Tax for provision of service, and Sales Tax actually paid to the Government where GR included these taxes. However, review of data/ records furnished by DoT in respect of M/s TCL for the period from 2006-07 to 2017-18 revealed that items of Bad Debts Written off, Port Charges, Rent of Land line, Administration Lease Charges, International Bandwidth Charges, Rent for Satellite charges, Royalty & License Fee to DoT (WPC charges), Last Mile/ Access Charges and Data Cost (IPLC) accounted by the company, amounting to ₹360.58 crore were deducted from GR to arrive at AGR of ILD license for the purpose of LF for the period in contravention of the License Agreement.

(ii) Inadmissible deductions in the case of NLD license

The NLD License Agreement provides for deduction of "the component part of a pass-through nature, payable to other service providers to whose network the licensee's NLD network is interconnected, for carriage of calls" from GR to arrive at AGR.

Review of data/ records for the period from 2006-07 to 2017-18 for NLD license revenues of TCL, provided by DoT revealed that likewise items of "Bad Debts Written Off and Port Charges" amounting to ₹122.91 crore were deducted from GR to arrive at AGR for purpose of LF which was in contravention of the License Agreement.

(iii) Inadmissible deductions in the case of ISP-IT License

In the case of the ISP-IT License, scrutiny of records of the TCL for the period 2006-07 to 2017-18, provided by DoT, showed that "Bad Debts Written Off" amounting to ₹54.27 crore was irregularly deducted from GR to arrive at AGR in contravention of the License Agreement.

Thus, the inadmissible deductions availed from the GR to arrive at AGR of ILD, NLD and ISP-IT licenses during the period from 2006-07 to 2017-18 by M/s TCL, resulted in understatement of AGR by ₹537.76 crore and consequential short levy/ payment of LF of ₹33.68 crore to the Government.

2.1.5 Assessment by DoT

As regards assessment by DoT, DoT in its initial reply (September 2018) conveyed that it had commenced the process which it would complete after taking into account the licensee's reply on the draft audit report (of CAG) and its own findings.

Subsequently in August-September 2019, DoT conducted an assessment of annual LF dues of TCL for the period 2006-07 to 2017-18 and issued a demand cum show cause notice with a copy to audit. Audit examination of the demand cum show-cause notice issued to TCL revealed that DoT had not considered several instances of under reporting of GR by M/s TCL or disallowed several inadmissible deductions while calculating AGR as pointed out by audit.

A comparison between consolidated figures as per audit and as assessed by DoT revealed the under reporting as given in **Table 2.2**.

Table 2.2: Comparison of under reporting of GR/ AGR noted by Audit and by DoT

(₹ in crore)

Item		Under reporting of GR/ inadmissible deductions from GR pointed out by Audit		Under reporting/ inadmissible deductions from GR considered by DoT		Difference	
		AGR	LF	AGR	LF	AGR	LF
1	Non-consideration of "Revenue from Telecom Services and Other/ Misc. Income" for GR/ AGR	11,682.77	847.01	4,002.47	291.88	7,680.30	555.13
2	Non consideration of revenue from Internet services in GR	1,032.28	69.56	Nil	Nil	1,032.28	69.56
3	Irregular Deductions from GR to arrive at AGR of ILD, NLD and ISP-IT licenses by M/s TCL	537.76	33.68	222.82	13.37	314.94	20.31
Total		**13,252.81**	**950.25**	**4,225.29**	**305.25**	**9027.52**	**645.00**

DoT in its reply (December 2020) on the revised/ updated report, intimated that despite repeated reminders M/s TCL had not submitted the prescribed documents for the years 2006-07 to 2017-18 in respect of NLD/ ILD, for the assessment of LF. Accordingly, provisional assessments were done disallowing the entire amount of deductions for the FY 2006-07 to 2017-18, and demands were issued in August/ September 2019. It further stated that the points raised in the draft report of the CAG could not be taken into account as this report had not been finalised at the time of issue of its assessments. Further, this was also subject to changes based on replies from the Company.

DoT also stated that M/s TCL had submitted the prescribed Statutory Auditors' Certificate detailing the quarter-wise, operator wise call charges (access charges) for the years 2006-07 to 2017-18 in respect of NLD/ ILD, and has requested for reassessment for these years. It informed that a final demand along with due interest and penalty wherever applicable, will be issued to M/s TCL taking into consideration points raised in the CAG's report.

The reply is not tenable since financial statements and other documents of TCL for purpose of GR/ AGR were already available with DoT and audit has worked out under-reporting/ short levy based on these documents only. The final assessment of LF for the period had already been delayed and should have been completed by August/ September 2019.

Thus, the audit of the assessment of LF for TCL disclosed under-reporting of Gross Revenue and Adjusted Gross Revenue for the period 2006-07 to 2017-18 by ₹13,252.81 crore and consequently, there was a short levy of LF of ₹950.25 crore. However, the assessment done by DoT underreported GR and AGR to the tune of ₹9,027.52 crore. As a result, License Fee demanded by DoT from TCL was short by ₹645 crore.

Audit Recommends that

DoT may urgently finalise the assessment after considering the financial statements and the Statutory Auditor's Reports that are already submitted by TCL to the DoT and the points raised by audit. DoT may issue final demand notice and recover the License Fee dues from TCL, which is already delayed.

2.2 Undue delay in decision making regarding allotment/ assignment of spectrum in E-band and V-band for Microwave Access Network and Backhaul Network

DoT has not taken any decision for allotment/ assignment of spectrum for Microwave backhaul networks in E and V-bands available with it, despite TRAI recommendations and there being sufficient demand for the spectrum on account of increasing density of Mobile communications. Consequently, spectrum in E and V-bands has not been utilised and its monetization in terms of Spectrum and usage charges to the Government and better services to customers has been deferred. The estimated revenue foregone was ₹67.53 crore towards spectrum charges for one carrier and annual expected revenue of ₹3.30 crore for one Circle alone, on a very conservative basis.

2.2.1 Introduction

The mobile network can be visualized as connectivity from mobile handsets to cell site known as Base Transceiver Stations (BTS) through access spectrum (viz. 2G, 3G & 4G), cell site to Base Station Controllers (BSC) through backhaul network and the interconnection of Mobile Switching Centers and other core elements through backbone network.

Microwave backhaul is an integral part of cellular telecom network which connects BTS with BSC. Microwave (MW) frequencies are generally assigned in chunks of 2x28 MHz, known as

MW carriers. There are two types of MW carriers viz. Microwave Access (MWA) carriers and Microwave Backbone (MWB) carriers. MWA carriers are usually in frequency bands of 10 GHz and beyond. MWA carriers are usually used in the mobile backhaul networks (mainly in the pre-aggregation part) and are assigned for short-haul systems which are used to carry traffic through relatively shorter distances. MWB carriers are assigned for relatively longer links of minimum link length of 15 km and in the hilly terrains, these are assigned for minimum link length of 10 km.

2.2.2 TRAI Recommendations

TRAI on DoT's reference (November 2012), in its recommendations (August 2014) on Allocation and Pricing of Microwave Access (MWA) and Microwave Backbone (MWB) RF carriers ***stated that the opening of E and V-bands would help to decongest the network over very short distances***, while 15/18/21 GHz and other bands will continue to be used over relatively longer distances. These new bands can be used for providing rapid and economical deployment for dense urban routes as last mile solutions because these frequency bands are expected to decrease CAPEX, OPEX for service providers, interference between the mobile sites and reduce pressure on fibre based services to provide backhaul solutions. ***TRAI recommended (August 2014), "in order to increase broadband penetration in India, the usage of high capacity backhaul E-band (71-76 / 81-86 GHz) and V-band (57-64 GHz) may be explored for allocation to the telecom service providers".***

2.2.3 National Frequency Allocation Plan

National Frequency Allocation Plan (NFAP) 2011 provides that requirements/ use of high-capacity dense network may be considered in the frequency bands 31.8-33.4 GHz, 37-40 GHz, 40.5-43.5 GHz, 51.4-52.6 GHz, 55.78-59 GHz and 64-66 GHz as well as in frequency bands 71-76 GHz and 81-86 GHz on Frequency Division Duplexing (FDD) and Time Division Duplexing (TDD) basis subject to their co-existence.

NFAP 2018 provides that "The band 71-76 GHz and 81-86 GHz may be used for high-density point to point/ multipoint links in Fixed Service (FS) also taking care of Fixed Satellite Service (FSS). It further points that "The band 57-64 GHz may be used for high-density point to point/ multipoint links and other access applications also taking care of other services identified as Primary in band".

2.2.4 National Digital Communication Policy 2018

National Digital Communication Policy (NDCP) calls for promoting the effective utilization of high capacity backhaul E-band (71-76/ 81-86 GHz) and V-band (57-64 GHz) spectrum in line with international best practices.

2.2.5 Audit Observations

2.2.5.1 Non finalisation of policy for allotment of E-band and V-band

The unique transmission properties of very high frequency millimeter waves in E-band and V-band enable much simpler frequency coordination, interference mitigation and path planning compared to lower frequency bands. These millimeter waves would support more capacity per backhaul link at a comparatively low cost to meet broadband demand. Further spectrum in V-band is to be used for Access Spectrum for 5G services in addition to its use for backhaul services.

Therefore, there is a requirement to explore the usage of new bands for creating greater capacity in the mobile microwave backhaul networks. India is poised to launch 5G services which would exponentially increase the data traffic requiring more bandwidth for microwave backhaul network.

TRAI also recommended (August 2014) the Channelling plan of E-band and V-band, as detailed below.

- ❖ Channel bandwidth for E-band (71-76 GHz and 81-86 GHz) should be 250MHz with a guard band of 125 MHz at the top and bottom of each 5 GHz band. More than one channel can be allowed and allocated for aggregation.
- ❖ Channel bandwidth for E-band (57-64 GHz) should be 50MHz with a 100MHz guard band at the beginning of the band. More than one channel can be allowed and allocated for aggregation.

Besides the TRAI recommendations (August 2014) for channelling E/V Bands as mentioned above, TRAI had also recommended the charges/ rates to be levied for the backhaul spectrum[6].

It was seen that DoT had not taken any decision on the TRAI recommendation for opening E-band/ V-band to the Telecom Service Providers all these years. On being pointed out by audit that the E-band and V-band have not been allotted/ assigned to the TSPs, DoT stated (June 2021) that no decision on TRAI recommendations of 2014 on opening E-band and V-band in India had been taken.

An Audit observation was also made in **Para No 2.1.10** of the **CAG's Report No. 21 of 2018**, wherein it was recommended that allotment of Microwave carriers to Telecom Service Providers (TSPs) should be made equitably through market related process. DoT in its ATN stated (February 2021) that pending a final decision on the issue of methodology of backhaul spectrum assignment, DoT has issued (October 2015) interim Guidelines to enable the assignment of backhaul spectrum to TSPs. ***However, as mentioned above DoT has not finalised the assignment of spectrum for backhaul services since December 2015.***

2.2.5.2 Pendency in allotment/ assignment of MWA/ MWB carriers to Service providers

As per information made (December 2021) available by DoT, 23 number of applications were received during 01 April 2018 to 30 September 2021 from Internet Service Providers (ISPs) for assignment of MWA/ MWB carriers and out of aforesaid 23 applications, 19 were under process and four (4) applications were pending due to staff shortage. It was also mentioned by DoT that 98 applications for re-assignment of MWA/ MWB carriers to Telecom Service

[6] E-band carrier should be charged at ₹10,000 per annum per carrier of 250 MHz each and V-band carriers should be charged at ₹1,000 per annum per carrier of 50 MHz each. More than one channel can be allowed and allocated for aggregation. There should be initial promotional discount of 50 *per cent* for three years from the date of allocation of first carrier in this band.

Providers (TSPs) (after expiry of old license) were also pending/ under process for allotment/ assignment.

Audit noticed that the above pendency in allotment/ assignment of MWA/ MWB carriers was due to non-finalization of policy regarding allotment of spectrum for backhaul services to TSPs causing potential loss of revenue as well as loss of opportunity for better data services to the needy users especially during the Covid-19 pandemic when data usage requirements increased exponentially.

Further, in view of advancement of technology, identification of new bands for IMT applications, likely adoption of Integrated Access Backhaul, assignment of MW backhaul spectrum (including spectrum in E & V bands) to commercial service providers (TSPs/ISPs, etc.) may be done through market related processes wherever feasible/viable.

2.2.5.3 Monetary implications of the spectrum not assigned

Presently, spectrum charges for MW Access networks and Backbone networks for cellular operations are levied on revenue share basis i.e. percentage of Adjusted Gross Revenue (AGR), from 18 April 2002 onwards as per the use of MW Access/ Backbone bandwidth. This percentage rate of MW Access/ Backbone spectrum for cellular networks were further revised (03 November 2006 and 10 November 2008) by WPC, which is prevailing as on date.

Considering minimum rate of 0.15 *per cent* of AGR for Spectrum charges[7], the annual expected revenue for **one carrier** of E & V band works out to ₹67.53 crore[8] for Pan India (based on Average AGR i.e. ₹45,021.45 crore[9]). This is only an indicative figure, TSPs may require more than one carrier each.

Audit also observed that the spectrum charges for MW access/ backbone Spectrum for other users (viz. ILD, NLD, Captive users etc.) were levied on formula basis[10]. Considering the lowest value of bandwidth factor and royalty factor for complete Circle (i.e., Network distance > 500 km), the annual expected revenue for each carrier may be ₹3.30 crore[11] for Pan India. The calculations have been made on conservative basis and the expected revenue could be higher based on bandwidth allocated to users. Further, the AGR figures adopted are the unaudited ones, based on self-declarations of the TSPs.

DoT stated (September 2021) that the policy for allotment/ assignment of spectrum for microwave backhaul network in E-band and V-band was part of "Policy for Normative and Transparent Assignment/ Authorisation of Spectrum" which was under consideration.

The Reply of the Department is not convincing as TRAI in its recommendation (2014) recommended that the usage of high capacity backhaul E-band (71-76/ 81-86 GHz) and V-band

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7 As prescribed for MW access/backbone Spectrum in WPC order of 03 November 2006/ 10 November 2008.

8 Annual Expected Revenue for each carrier = ₹45,021.45 crore (Average AGR) x 0.15/ 100 = ₹67.53 crore

9 AGRs of major telecom operators for FY 2020-21 is –(i) Bharti Airtel Ltd/Bharti Hexacom Ltd. ₹45,242.98 crore, (ii) Reliance Jio Infocomm Ltd. – ₹64,779.51 crore & (iii) Vodafone Idea Ltd – ₹25,041.86 crore (Source: TRAI Financial Reports) and hence, average AGR = ₹45,021.45 crore.

10 Annual Royalty = $\sum_{i=1}^{n} M_i \times W$, where n = no. of carriers, W is the bandwidth factor & M is the royalty charge factor depends on the distance over which network would operate.

11 Annual Expected Revenue for each carrier = 30 (lowest value of bandwidth factor) x ₹50,000 (royalty factor for Network distance > 500 km) x 22 circles = ₹3.30 crore

(57-64 GHz) may be explored for allocation to the telecom service providers and the final decision on the recommendations was pending only on the part of DoT since then. Subsequently, Committee of Secretaries appointed by DoT, have also recommended (October 2020) that band 57-66 GHz was fully available to DoT for WiFi/ public WiFi, fixed links, etc.

Thus, DoT has not taken any decision for allotment/ assignment of spectrum for Microwave backhaul networks in E-band (71-76/ 81-86 GHz) and V-band (57-64 GHz) to telecom service providers as well as Internet Service Providers despite TRAI recommendations and existing demand for the spectrum. Government have therefore foregone the monetisation benefits of the unsold spectrum and usage charges and have also deprived customers the benefits of better quality and high end services.

Audit Recommends that

DoT may take an early decision in consultation with TRAI on allotment/assignment of spectrum for microwave access and backhaul network in E-band (71-76/81-86 GHz) and V-band (57-64 GHz) for providing support to mobile communications, Internet Service Providers and for effective roll out of 5G services. This would not only monetise the unallotted E & V-bands but also generate the Spectrum Usage Charges to the Government resulting in effective utilisation of these spectrum bands, leading to improvement in quality of service to the customers.

Chapter III Department of Posts

3.1 Performance Audit of IT Modernisation Project in Department of Posts

3.1.1 Introduction

The Department of Posts (DoP) under the Ministry of Communications through its network of more than 1.55 lakh Post Offices of which 90 *per cent* are in the rural areas provides host of services to public such as transmission and delivery of mails, remittances of money, banking, investment and insurance services, disbursement of social benefits and social security payments.

3.1.2 Statistics relating to DoP

The Subscriber base of Savings Bank Schemes, Insurance and Mail Traffic of the DoP is as shown in **Table 3.1** below.

Table 3.1: Services delivered by DoP

Year	POSB Schemes		Insurance Schemes		Mail Traffic		
	Subscriber Base (in crore)	Balances (₹ in crore)	New Policies (in Lakh)	Premium Income (₹ in crore)	Registered (in crore)	Un-Registered (in crore)	Premium Products* (in crore)
2013-14	34.91	4,33,188	13.05	7312.26	20.08	550.80	37.95
2014-15	39.93	4,48,875	8.01	7946.77	20.48	540.71	41.26
2015-16	40.01	4,86,265	4.56	8669.20	19.83	561.49	42.72
2016-17	35.67	5,39,276	5.88	9353.91	18.34	552.66	47.87
2017-18	37.12	5,97,295	7.68	9704.18	19.33	567.69	47.59
2018-19	36.40	6,96,971	10.57#	10,397.23#	19.79	501.81	54.65
2019-20	36.75	8,23,204	9.10##	9473.74##	19.30	446.66	44.31
2020-21	29.04	9,69,143	8.65###	10908.80###	17.41	430.62	36.31

*Speed Post and Express Parcel Post
#Un-audited Figures of 2018-19
##Data pertains to January 2019 to November 2019
###Data pertains to January 2020 to December 2020

3.1.3 IT Modernisation in DoP

The IT Modernization Project of DoP was approved by the Government of India in November 2012 with an outlay of ₹4,909 crore. The Project aims at transforming the DoP's operational efficiency and improving service delivery of operational and administrative units through upgraded technology and connectivity.

The project conceptualised modernisation and computerisation of all the Post Offices including Branch Post Offices in rural areas. It involved development of scalable, integrated and modular software covering all operations of the DoP, including Post Office Savings Bank, Postal Life Insurance, Mail Operations, Accounts and Establishment along with the establishment of the required IT infrastructure, including Data Centre, Disaster Recovery Centre, Wide Area

Network (WAN) of the Departmental Post Offices, development of Rural Information Communication Technology (Rural ICT) in rural Post Offices.

Against the sanctioned cost of ₹4,909.00 crore, the actual expenditure incurred on the Project was ₹3,447.98 crore by September 2021.

3.1.4 Organisational Arrangement for implementation of IT Modernisation in DoP

The Postal Service Board (PSB) headed by the Secretary, Department of Post, is the apex management body. DoP formed a Project Management Unit (PMU) as the monitoring body for the IT Modernisation Project of the Department with an overall Steering Committee and Project Review Committee that would guide and review the work of the project teams from vendor on boarding stage to the solution deployment stage.

The Project Coordination Committee was responsible for reviewing the project, issues/ risks and taking decisions with respect to the project. Five Project Implementation Committees were formed covering all the eight segments of the project to review, approve and sign-off on the project deliverables in each phase, finalisation of Functional Requirements, Blueprint document, Test Plan, User Acceptance Test (UAT) and Data Migration with due support from Core Sub-Committees formed under each Project Implementation Committee.

The respective Project Committees were to hand over the project as on completion and sign-off of the respective Phases of their projects to OSD, Centre for Excellence in Postal Technology (CEPT), Mysuru and DDG (Technology), who was responsible for Operation and Maintenance phase of the Project. In the field offices at the Circle level, PMU sections were also established to monitor the Project at Circle level comprising Regions, Divisions (Postal/ Railway Mail Service), Post Offices and other functional and supporting units like Stamp Depots, Store Depots and Mail Motor Services etc.

DoP engaged M/s. Accenture Services Private Limited (September 2009) as IT Consultant through tendering procedure for "Identification of technology partner(s), management of bidding process, Requirement specifications, RFPs, ATPs, evaluation reports, negotiations, contract finalisation and recommendations to DoP including vendor(s) management tools and techniques etc" at a cost of ₹15.82 crore. The DoP incurred an expenditure of ₹21.12 crore against the revised approved outlay of ₹21.28 crore (November 2020).

Further DoP also engaged National Institute of Smart Governance (NISG) as Project Consultant (February 2011) as suggested by Department of Information Technology (DIT) to assist in the areas of e-Governance providing consulting services in Strategic Planning, Project Development, Project Implementation Monitoring and Capacity Building at a cost of ₹20.97 crore and the same was further revised by the Steering Committee to ₹54.97 crore. The DoP incurred an expenditure of ₹51.92 crore against the revised approved outlay (July 2021). The Contract was terminated with effect from 31 March 2021.

The project was implemented in eight project segments and was executed by different vendors i.e., Reliance Communications Infrastructure Limited (Data Center Facility project), Sify Technology Limited (Network Integrator project), Tata Consultancy Services Limited (Core System Integrator & Change Management project), Infosys Technology Limited (Financial

System Integrator & Rural System Integrator), Telecommunications Consultants India Limited (Rural ICT Hardware) and DGS&D (Mail Operations Hardware).

3.1.5 IT Modernisation Project Segments

The eight project segments along with the approved cost, segment wise and expenditure incurred till September 2021 is given in **Table 3.2** below.

Table 3.2: Details of segments, aim and cost of IT Modernisation Project in DoP

Project Segments	Project Aim	Project cost (₹ in crore)	Expenditure Incurred (₹ in crore)
1. Data Centre Facility (DCF)	For collecting, storing and allowing access to data.	29.47*	65.59
2. Network Integrator (NI)	Networking of all Departmental locations under Wide Area Network (WAN)	951.57	946.93
3. Change Management (CM)	Preparing all the employees of the Department including Gramin Dak Sewaks to enable them to function effectively in IT environment.	12.96	4.90
4. Financial System Integrator (FSI)	Computerizing the Banking and Insurance operations through one central platform	703.59	685.48
5. Rural System Integrator (RSI)	Commissioning of Rural ICT Service Delivery Platform Integration with other core applications such as Mail Operations, Core Banking Solution, Postal Life Insurance Solution, and e-MO etc.	79.13	37.53
6. Core System Integrator (CSI)	Computerizing all the postal, mails, Post Office counter operations, finance & accounts and HR functions of the Department through one central platform.	1,140.82	725.07
7. Rural ICT Hardware (RH)	Supply of RICT devices, antennas and allied services to approximately 1,30,000 rural Branch Post Offices	1,542.42	663.48
8. Mail Operations Hardware (MOH)	Supply of hardware to Mail Offices and hand held devices to Postmen	401.61	210.93
9. Project Management Unit (PMU)	Project implementing unit	47.43	108.07**
Total		**4,909.00**	**3,447.98**

(Source: Note for Cabinet Committee on Economic Affairs dated 10 November 2012 as furnished by Department)

*The project cost has been revised to ₹75 crore by Steering Committee during November 2020.

** Total Expenditure of ₹108.07 crore on PMU head as on September 2021 including Expenditure of ₹21.12 crore on M/s.Accenture as IT Consultant and ₹51.92 crore on NISG as Project Consultant, for which separate approval has been accorded by Project Steering Committee

3.1.6 Audit Objectives

The objectives of conducting a Performance Audit of IT Modernisation Project in DOP were to check whether

1. System development and implementation were as per requirements.
2. Manual procedures were re-evaluated before they were mapped into the IT system so as to guard against redundancy and for simplification of the process.
3. All segments were effectively integrated and data migration was error free.
4. The security controls associated with the system were adequate.
5. Projects were monitored regularly and effectively.
6. Intended benefits of modernisation to the Department and customers were realised in respect of the completed and operationalised segments.

3.1.7 Audit Scope

The Performance Audit of IT Modernisation Project in DoP was conducted during May 2018 to September 2018 covering the test check of records from 2012-13 to 2017-18 at DoP Headquarter at Delhi, Circle Headquarters, selected Postal Divisional Offices (DOs), Head Post Offices (HPO) and Sub Post Offices (SOs) across the country. The Audit was conducted in all 23 circles and sample size for Postal Division was taken as 25 *per cent* of the total number of Divisions in each circle on Random Selection Basis. In each selected Division, a minimum of 50 *per cent* Head Post Offices along with a minimum of 10 Sub Post Offices of each Head Post Office were also selected for Audit. Accordingly, 113 Divisional Offices, 124 Head Post Offices and 1,317 Sub Post Offices were covered by the Audit. Further updation of Audit observations up to November 2021 has been taken up at Directorate as well as in selected Circles.

3.1.8 Audit Methodology

An entry meeting was held with the Member Technology, at DoP Headquarter on 15 May 2018. Entry meetings were conducted with Circle authorities also by field audit parties. In the entry meeting, the scope and objectives of Audit were discussed. The Audit was conducted on the basis of records/ information made available by the project related divisions at DoP Headquarter, Circle Offices, selected Divisional Offices, Head Post Offices and Sub Post Offices. Audit also accessed public documents available on the websites of DoP and other sources. Additional data, information and clarifications were obtained through issue of Audit Inspection Memos. Draft Report was issued to DoP on 25 February 2019 and subsequently the revised report was issued after considering the Ministry's replies on 28 October 2021. The Report has taken into account, the replies of the Ministry, which were received in January 2022.

3.1.9 Audit Criteria

Important criteria used in audit are approved notes of Cabinet Committee on Economic Affairs (CCEA), Expenditure Finance Committee (EFC), Detailed Project Reports (DPRs), approved Requests for Proposals (RFPs), awarded contract documents and instructions issued by Postal Directorate to field formations.

3.1.10 Audit Acknowledgement

We thank the Officers and staff of the Department of Posts in facilitating this audit.

3.1.11 Achievement of IT Modernisation Project

The following facilities/ intended benefits to the public have been achieved through implementation of Core Banking Solution and establishment of the required Information Technology (IT) infrastructure, including Wide Area Network (WAN) of the Departmental Post Offices, development of Rural Information Communication Technology (Rural ICT) in Rural Post Offices under IT Modernization Project in Department of Posts.

- **Anytime, Anywhere, Any Branch banking from the CBS enabled branches and enabling quick money transfer to rural customers**
- **Access to facilities like ATMs and Net banking to the customers of Small Savings Schemes**
- **Increased insurance facilities to the rural populace with integrated branches for the customers to avail all policy related services from anywhere in the country through Core Insurance Solution**
- **Introduction of CBS ensuring that the service delivery becomes more effective in respect of Government's sponsored schemes like Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS) and Social Service Pensions etc.**
- **Better customer experience through end-to-end article visibility and provision for electronic intimation and prompt grievance redressal on a real-time basis**

3.1.12 Audit Findings

On review of eight segments of the IT Modernisation Project in DoP, the significant Audit observations relating to Core System Integrator (CSI), Financial System Integrator (FSI), Rural System Integrator (RSI) and Network Integrator (NI) segments are brought out in the succeeding paras. Besides, the delays in completion of Projects have also been analysed as part of Audit.

3.1.13 Delays in completion of Project: Rollout of important segments of the IT Modernisation Project

The IT Modernisation Project in DoP was taken up with eight different segments for computerisation of all the Departmental and Garmin Dak Sevak (GDS) Posts Offices in the country. The project was divided into three phases viz. Pilot, Phase-I and Phase-II to be completed during the period 2013 to 2017. Though, the Project were completed in major segments by the end of September 2021, there were delays of more than four years, in important segments (CSI, FSI & NI) and more than one year in rural segment (RSI/ RH), against the times lines for completion of the Project as detailed in **Table 3.3**.

Table 3.3: Details of roll out of Project segments

Segment/ Vendor/ Date of Commencement/ Target date of Completion	Contract Value	Payments made (as on Sept.2021)	Remarks
	(₹ in crore)		
1. Data Center Facility/ Reliance Communications Infrastructure Limited 14.05.2012/ 28.09.2013	75.00	65.59	Integration testing was completed (July 2020) and DC-DR drills also conducted at different intervals with last drill conducted in July 2021
2. Network Integrator/ Sify Technology Limited 16.05.2012/ 28.12.2013	951.53	946.93	As against a total target of 28,846 locations by December 2013, Networking for 28,290 locations (*98 per cent*) was completed by March 2019. However, due to closure of BSNL exchanges Technical Not Feasible Locations (TNF) increased to 2,694. Though the Steering Committee considered alternate ways of providing network for all these offices like OFC/ NOFN/ RF, the vendor could not provide the networking at these locations till that time.
3. Change Management/ Tata Consultancy Services Limited 25.06.2012/ 14.10.2014	12.96	4.90	Completed within the time limit.
4. Financial System Integrator/ Infosys Technology Limited 09.08.2012/ 28.05.2014	703.58	685.48	As against target of 25,560 locations by May 2014, the **Core Banking Solution** (CBS) was implemented/ deployed by the vendor in 24,349 (*97 per cent*) Post Offices/ locations (September 2021). 643 Post Offices were functioning without CBS facility even after a lapse of seven and half years and 568 Post Offices were closed/ merged.
5. Core System Integrator/ Tata Consultancy Services Limited 15.04.2013/ 15.10.2014	1,131.21	725.07	As against a target of 511 divisions by October 2014, the **Core System Integration** was completed in 511 (*100 per cent*) divisions (March 2019) including Postal, RMS and independent divisions. The work was completed during the years 2017 and 2018 against the target date for completion of October 2014. The vendor was responsible for integration of all the solutions to be supplied by other system integrators.
6. Rural System Integrator / Infosys Technology Limited 28.02.2013/ 27.02.2017	79.12	37.53	RSI vendor was responsible for design, build, supply, installation/ commissioning of applications in the RICT devices to be provided by the RH vendor at 1,29,390 BOs, hence, dependent on each other. Since the delivery of RH devices was to be aligned with the readiness of the RSI application the RSI vendor did not complete the deliverables in time leading to delay in supply of solution by the RH vendor to the field offices of DOP. Rollout of Rural ICT Hardware devices was completed in 1,29,164 Branch Offices and remaining 226 BOs were closed or merged with other BOs (March 2019).
7. Rural ICT Hardware / Telecommunications Consultants India Limited and RICOH India Limited 24.11.2014/ 23.09.2017	1,361.73	663.48	
8. Mail Operations Hardware / DGS&D	401.61	210.93	The successful bidder for Mail Operations Hardware (MOH), M/s HCL Info Systems Limited did not sign the contract against Letter of Intent (LoI) issued on 03 February 2014. The Department blacklisted the firm and subsequently, procured Mail Operations Hardware through Directorate General of Supplies and Disposals (DGS&D) Rate Contract. For items not available in DGS&D, the procurement was decentralised to Circles and got completed.
Total	**4,716.74**	**3,339.91**	

Source of data: Signed Master Service Agreements (MSA) and Payment Registers of the Department

Thus, various project components were completed ranging from 98 to 100 *per cent* as on September 2021, though there were delays in completion with reference to target dates. DoP had made payments up to 70.81 *per cent* of contract value to the vendors and balance payments (29.19 *per cent*) were kept pending for completion of the project items (September 2021). Thus, Department has liability of ₹1,376.83 crore towards bills payable to vendors of the Project as at the end of September 2021.

The main reasons for delay as seen from records included inability of the Sub Committees to overcome the initial problems like permissions for roof top antennas, forecasting the network availability and migration of data; non-feasibility of networking of around 2,694 locations due to non-availability of any Network; delays in integration of systems by Core System Integrator (CSI) due to delays in pre-rollout preparatory activities by both the DoP field units and the vendor; non availability of network in around 643 locations for FSI; delays by the vendor of RSI/ RH projects.

All modules viz. Budget, Asset Accounting and Costing modules in CSI were tested and implemented with a delay of four years due to delay in acceptance testing by Department of Posts (DoP) though the vendor supplied the same in April 2017.

Thus, the Project Implementation Committees/ Sub-Committees concerned could not ensure adherence to the timelines for completion of the project. Though, the penalties were charged to the vendors and their payments withheld for delayed completion of the project, the fact remains that the projects were incomplete in some locations and integration benefits of CSI were not available in totality to the DoP as well as its customers.

The Ministry in its reply stated (January 2022) that IT Modernisation Project had already been completed except some integration issues with CBS and PLI with CSI which were being addressed.

3.1.14 Integration issues under Core System Integrator-Delays in Implementation of Solutions/ Modules/ Sub-Modules and Non Integration of solutions

As per Core System Integrator (CSI) Agreement, the vendor has to provide Solutions/ Modules for Finance and Accounts, Human Resources, Mail Operations, Logistic Post, Customer Interaction Management and Call Centre etc., with a timeline to complete the same by October 2014. Further, the vendor was also responsible for overall integration of core applications with solutions being implemented by other System Integrators viz. FSI and RSI.

Audit noticed that though the vendor supplied all the modules during 2017-18 under Agreement, in the rolled-out offices through Enterprise Resource Planning (ERP) of SAP, some of the important Sub-Modules such as Budgeting, Asset Accounting and Costing etc. were completed/ implemented in the Department of Posts after a delay of four years as confirmed by the Ministry in January 2022.

Audit also noticed that the integration of various solutions/ core applications supplied by other System Integrators such as Financial Services System Integrator (FSI) and Rural System Integrator (RSI) with the Core System Integrator (CSI) solutions had not been completed by the vendor till September 2021.

Ministry in its reply stated (January 2022) that General Ledger integration between McCamish–CSI was under implementation and RSI was required to be integrated with CSI master data for the purpose of User management and Facility management. Though the Department withheld the payments for pending completion, the fact remained that the integration of some of the solutions provided under different system integrators was still pending even after a lapse of more than six years. The Review Committees should have ensured the overall implementation / integration of the system as was organised in the project.

3.1.15 Implementation, Validation and Migration issues in respect of Financial System Integrator

Financial System Integrator (FSI) segment of the IT Modernisation Project aimed to provide complete banking facilities to the customers across the country by replacing the existing banking platform of "Sanchay Post" software which was handling the banking activities within a limited scope.

According to the Agreement, the FSI vendor was responsible for formulating the "Data Migration Strategy" for migration of Postal Banking and Insurance data from existing applications. Review of records relating to validation, migration of data revealed the following.

3.1.15.1 Wasteful expenditure on Procurement of Magnetic Stripe ATM Cards

The DoP entered into an Agreement (April 2015) for supply of 1.55 crore Magnetic Stripe Cards or Chip based cards or a mixture or variation depending on its requirement of cards in a span of three years. Reserve Bank of India (RBI) issued an advisory (May 2015) that all new cards issued by banks should be EMV[12] chip and pin-based cards with effect from September 2015. The same was extended up to January 2016 and for cards issued under Government Schemes up to September 2016.

Audit found that as against the total procurement of 29,90,813 magnetic stripe ATM cards from M/s CMS Info systems Ltd, Mumbai, Department of Posts procured 24,97,394 magnetic stripe ATM cards even after release of Reserve Bank of India (RBI) advisory (May 2015). Out of 24.97 lakh magnetic stripe cards procured, 4,57,458 cards lying unused with the Department and same were either blocked or closed by the Department in view of Reserve Bank of India (RBI) instructions.

Thus, by proper planning, Department could have avoided wasteful expenditure of ₹4.23 crore (@ ₹16.95 per card) on 24.97 lakh number of Magnetic Stripe ATM cards by procuring EMV chip cards, instead, since the Purchase Orders for magnetic stripe ATM cards were placed between August 2015 to April 2016 i.e. after RBI had issued the advisory (May 2015) regarding EMV Chip Cards.

Ministry replied (January 2022) that Circles had been instructed to provide the action taken report on disposal of magnetic stripe-based cards and were silent regarding the wasteful expenditure on procurement of the stripe cards.

[12] Europay, Master Card and Visa

3.1.15.2 Improper Validation and Migration of existing data from Old System

According to FSI Agreement, the FSI vendor is responsible for formulating the "Data Migration Strategy" for migration of Postal Banking and Insurance data from existing applications[13]. Further, DOP was requested to approve the data migration from Sanchay Post to Finacle (CBS) strategy for the commencement of data migration exercise. Similarly, the FSI should develop control reports for verification of the data both pre and post migration.

Review of records relating to migration of data at 23 Circles, revealed that the FSI Project Implementation Committee and its Core Sub Committees did not ensure that the migration of existing data from the old system of Sanchay Post to the new system of Finacle (CBS), after proper validation as per Agreement conditions.

As a result, Audit noticed in AP, Assam, Bihar, Delhi, Haryana, HP, J&K, Jharkhand, Maharashtra, MP, Odisha, Rajasthan, TN, UP and Uttarakhand Circles that closed and discontinued POSB accounts/ certificates including public accounts (discontinued in December 2005) amounting to ₹256.89 crore (Details in **Annexure-3.1**) were migrated from Sanchay Post to Finacle during implementation of Core Banking Solution and shown as live status. During subsequent audit conducted in November 2021, it was noticed that cases were still continuing in Delhi, Karnataka, Maharashtra, Odisha, Rajasthan, Telangana and UP Circles.

On the other hand, Audit noticed in Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Maharashtra, MP, Punjab, Rajasthan, UP, Uttarakhand and WB Circles that 34,656 cases of Post Office Saving Bank (POSB) accounts and certificates having live status amounting to ₹42.97 crore (Details in **Annexure-3.2**) were not migrated from Sanchay Post to Finacle during implementation of Core Banking Solution. During subsequent audit in November 2021, Audit observed similar cases in Chhattisgarh and Karnataka circle as well.

3.1.15.3 Irregularities in maintenance of accounts after migration of data

On scrutiny of records relating to various POSB schemes test checked at Head/ Sub Post Offices in Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, MP, NE, Odisha, Rajasthan, Telangana, UP and Uttarakhand circles, Audit noticed following types of irregularities in opening and maintenance of POSB accounts, contrary to the POSB rules, in 8,523 cases.

a. According to POSB Rules, legal Guardian/Natural Guardian can open account in the name of Girl Child up to age of 10 years only from the date of birth and account can be closed after completion of 21 years. However, it was seen that SSA accounts opened in name of male or guardian, operated as "self" mode. Further, SSA accounts were opened in name of girl child after attaining age of ten years and SSA accounts were closed before maturity in contravention of the prescribed rules.

b. SSA/ PPF/ SCSS and TD accounts were opened and continued with zero balance.

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[13] Sanchay Post package for Banking Operations and McCamish software for Insurance operations.

c. SB/ PPF/ SSA accounts were opened with less than prescribed minimum amount against prescribed minimum balances of ₹50, ₹500 and ₹1,000 respectively.

d. PPF subscription was below the prescribed minimum and PPF accounts were also opened with joint names.

e. MIS accounts were not having amount in prescribed multiples against the stipulated rule that the Deposits should be in multiples of ₹1,500.

The above irregularities indicated the non-existence of necessary checks in the system even after implementation of Finacle of Core Banking Solution (CBS). The FSI Project Implementation Committee and its Sub Committees were responsible for validation and migration of data in to Finacle with reference to POSB Rules. During subsequent audit in November 2021 also, irregularities in maintenance of Postal accounts cases were found to be continuing in Delhi and UP circles as well.

Ministry stated (January 2022) Data Migration Command Centre, Chennai has already issued necessary instructions for proper validation and migration of existing data in the Sanchay Post to CBS platform which had been verified/accepted by the Circles through L-Layer Report/ T-Layer Report after which the sign offs were given by the officials of concerned Circles. The fact remains that the irregular accounts were still continuing and Finacle System did not find the irregularities automatically.

Further, the reply indicates that the Finacle software was not customised as per DOPs requirements by the vendor before migration of data to the Core Banking Solution (CBS).

3.1.15.4 Migration of POSB accounts without KYC data

Audit noticed during test check of data at various Head/ Sub Post Offices in AP, Assam, Chhattisgarh, Delhi, Gujarat, Haryana, HP, J&K, Jharkhand, Karnataka, Kerala, Maharashtra, MP, Odisha, Punjab, Rajasthan, TN, Telangana, UP, Uttarakhand and WB Circles that the details of the account holders like name, address and other personal details, were either incomplete or KYC non-compliant. During subsequent audit in November 2021 also, Audit observed that cases of KYC issues are persisting in Chhattisgarh, Delhi, Gujarat, MP, Punjab, Rajasthan, TN and UP Circles.

The issue of operation of Savings Bank accounts without details was brought out in the CAG Report No. 1 of 2006 (Para 2.7.2.5) and the discrepancy was not rectified and got migrated from Sanchay Post on as is basis to Finacle of Core Banking Solution.

The Ministry stated (January 2022) that Data Migration Command Centre, Chennai has already issued necessary instructions for proper validation and migration of existing data in the Sanchay Post to CBS platform which had been verified/ accepted by the Circles through L-Layer Report/ T-Layer Report after which the sign offs were given by the officials of concerned Circles. The reply indicated that compliance to the functional requirements specified in the Agreement were not ensured before making the system live.

3.1.15.5 Inadequate system controls in opening of more than one account

As per Post Office Savings Bank (POSB) Rules, number of accounts that may be allowed to a customer/ depositor in various capacities were prescribed by Ministry of Finance in respect of Savings Bank, Public Provident Fund, Sukanya Samriddhi Yojana and Senior Citizen Saving Scheme.

Further, RBI in the monetary policy statement for the year 2012-13 advised to initiate steps to allot Unique Customer Identification Code (UCIC) since this would facilitate proper customer identification across the banking system for monitoring the financial transactions in various accounts. DoP accordingly incorporated in the Functional Requirements of FSI Agreement features for creation, de-duplication and merging of Customer Information Files (CIFs).

Audit noticed in Delhi, Jharkhand, Odisha, Uttarakhand, UP and WB Circles that in 133 cases more than one account was opened in the name of same depositor in contravention of rules. These accounts were migrated to Finacle during implementation of Core Banking Solution. During subsequent audit in November 2021 also similar cases were noticed in Punjab, Rajasthan and West Bengal Circles.

Similarly, Audit also noticed in AP, HP, Karnataka, Rajasthan, Telangana and WB circles that allotment of multiple CIFs for the same customer was made in 5,383 cases for same or different types of accounts. However, during subsequent audit also in November 2021, allotment of multiple CIFs for the same customer were noticed in Karnataka, Rajasthan Circles as well.

Ministry stated in its reply (May 2019) that necessary instructions were issued to the Circles and the progress was regularly reviewed. Further, it was also stated by the Ministry (January 2022) that Directorate had requested the Circles to provide the action taken report on the discrepancies.

Updation in test checked Circles and reply of the Ministry indicated that proper follow up of the Directorate instructions was not being ensured by Postal Circle Offices.

3.1.15.6 Non-reconciliation of load layer report and Go-live report

As per DoP migration policy, key reports were to be generated on the day of migration which would provide scheme wise/ account wise balances on the day of migration. The Circle/ Region/ Division were to analyse the summary Reconciliation Report with the last backup taken by the PO from Sanchay Post, by forming special team to find out discrepancy, if any, in the migrated data (on CBS) and the data being used by the POs before migration.

On scrutiny of reconciliation of balances between load layer report of legacy system (Sanchay Post) with the go-live report of uploaded data in Core Banking Solution (CBS) of POSB Schemes in Andhra Pradesh, Bihar, Chhattisgarh, Haryana, HP, J&K, Maharashtra, NE, Odisha, Punjab, Rajasthan, TN, UP, Uttarakhand and WB Circles, Audit noticed that there was a difference of balances between load layer data and Go live data, amounting to ₹36.12 crore as detailed in **Annexure-3.3**.

The Ministry stated (January 2022) Data Migration Command Centre, Chennai has already issued necessary instructions for proper validation and migration of existing data in the Sanchay Post to CBS platform which had been verified/accepted by the Circles through

L-Layer Report/ T-Layer Report after which the sign offs were given by the officials of concerned Circles.

The reply of the management was not acceptable since despite Departmental instructions, there was a difference of balances, even though, the sign-off reports were issued by the postal authorities to facilitate migration of data from Sanchay Post to CBS. The fact remains that FSI Vendor and the concerned Postal authorities did not take adequate measures for reconciliation of balances before migration of data, which resulted in difference of balances and have a potential for leading to misappropriation of funds, as noticed in test checked Circles[14].

Since, the Post Offices were dealing with Public Money, DoP needs to ensure cleaning up of the migrated data from old system to new system and adopt effective system for de-duplicating the customer profiles to follow the Know Your Customer (KYC) Norms/ Anti Money Laundering (AML) Measures/ Combating Financing of Terrorism (CFT)/ Obligations under Prevention of Money Laundering Act (PMLA), 2002.

3.1.16 Contractual Obligations under FSI

3.1.16.1 Non provision of alternate delivery channels for banking solutions

As per Agreement, FSI was responsible for supply, customisation, enhancement, installation and commissioning of solutions for alternate delivery channels for Postal Banking viz. Internet Banking, Phone Banking (IVR), Banking through Call Centre, Mobile Banking, SMS tracking and alerts and ATM.

Audit noticed that DoP could provide Internet Banking and ATM facility to the customers as of May 2014 whereas there were inordinate delays in hosting of Mobile banking and other services etc., under Core Banking Solution.

Department stated (January 2022) that IVR-CRM functionality was implemented in October 2021,the Mobile Banking was implemented in October 2019 and SMS Alerts were also being delivered to POSB customers for various transactions like deposit, withdrawal etc. The Department stated that rollout of 1,000 ATMs at identified locations has also been completed.

The reply indicated that compliance to the Agreement conditions as well as Functional Requirement were delayed for more than five years from the implementation of the CBS, thereby delaying benefit of facilities to the public.

3.1.16.2 Non-seeding of mobile number in Post Office Savings Bank (POSB) accounts

FSI Agreement stipulates that system should capture all the data of customer including Mobile Number in Customer Information File (CIF). In continuation, Department of Posts issued instructions (October 2017) for making mobile phone number mandatory while opening of new account and instructed their Post Offices to seed mobile numbers in existing accounts also, through special drive with wide publicity.

Audit noticed that the percentage of mobile number seeding by DoP with the Customer Information File (CIF) of the POSB Account holders is on very lower side and the overall

[14] Haryana (NH2-Faridabad S.O) ₹11.16 crore; West Bengal (Sinthee S.O) ₹5.59 crore.

status of Mobile number seeding as at the end of September 2021 was 64.61 *per cent* only. It was also noticed that even Customer Information File (CIF) IDs linked with DoP ATM Debit Cards were not updated with mobile numbers in 1,80,494 cases.

During the test check of field data during 2018 as well as in November 2021, it was noticed in Chhattisgarh, Delhi, Gujarat, Jharkhand, Maharashtra, Madhya Pradesh and Telangana circles, that the mobile number seeding was very less.

Ministry stated (January 2022) that total 31,45,092 accounts were seeded for which ATM cards had been issued out of 33,25,586 ATM card holders.

3.1.17 Continuation of Manual Interventions - Manual calculation of premature and post maturity interest

POSB Rules provides certain conditions for premature closure of Schemes along with premature interest as well as allowing of post maturity interest in case of closure of account after date of maturity.

Audit noticed in Delhi, Gujarat, Maharashtra, Tamil Nadu, Uttarakhand and Uttar Pradesh circles that interest on pre/ post mature closure of accounts of POSB schemes continued to be calculated manually due to non-availability of the facility for calculating interest for part periods in Finacle of Core Banking Solution under Financial Services System Integrator (FSI) Agreement. During subsequent audit in November 2021 also, similar cases were noticed in Rajasthan, Tamil Nadu and West Bengal Circles.

The issue of manual calculation of post maturity interest Sanchay Post Package was brought out in the CAG Report No.1 of 2006 (Para 2.7.2.19) and the discrepancy still continued in Finacle of Core Banking Solution.

The Ministry stated (January 2022) that Directorate had requested the Circles to provide the action taken report. Since evidences show that manual calculation of Pre and Post maturity interest in the Post Offices continued in the Post Offices, effective customisation of the solution needs to be ensured.

3.1.18 Networking and connectivity issues under Rural Systems Integrator

As per Agreement, the RSI vendor was to be responsible for deployment of complete Rural ICT Solution including Design, Build, Supply, Installation and Commissioning of Rural ICT Service Delivery Platform (SDP) and Integration with overall solution architecture and other core applications such as Mail Operations, Core Banking Solution, Postal Life Insurance Solution and e-MO etc. whereas the RH vendor was responsible for Supply of the Rural ICT devices with connectivity from the local network services including maintenance. However the following deviations from the Agreement conditions were noticed.

3.1.18.1 Non-functional Rural Information Communication Technology (RICT) devices

As per Rural Hardware (RH) Agreement, the vendor should arrange the connectivity through one of the latest technologies viz. 3G, Wireless Broadband, Wired Broadband or GPRS

(General Packet Radio Services) for RICT devices supplied to the Branch Post Offices based on the availability of services at implementation locations.

Audit noticed that RICT devices were not functioning properly due to poor network connectivity provided by vendor resulting in frequent disruptions in provision of services to rural customers through RICT devices at Branch Post Offices. The issue of connectivity problems was seen by Audit in Branch Post Offices of Bihar, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Kerala and Madhya Pradesh Circles during test check in 4638 cases.

While accepting the fact, Department stated (January 2022) that continuous efforts were being made to improve network connectivity inside the BOs through SIM swapping, supply of antenna, installation of 4G dongles. However, fact remains that the connectivity issues still persist in the Branch Post Offices.

3.1.19 Networking and connectivity issues under Network Integrator

Network Integrator Agreement stipulated the provision of connectivity for each departmental post office location from two different network service providers (NSPs) i.e., Primary network should be from BSNL (NSP-I) and secondary (NSP-II) from vendor's (M/s Sify) own network, so as to ensure uninterrupted network connectivity through one single WAN. However, review of records revealed the following.

3.1.19.1 Post Offices working with single Network Service Provider (NSP) and inadequate primary bandwidth

Audit noticed that 2,308 locations of DOP were working with single bandwidth connectivity i.e. 663 locations with primary network and 1645 locations with secondary network only as at the end of January 2019 which was in violation of Agreement conditions that two levels of network were to be provided for continuous services. Thus, these offices remained non-functional during the failure of single available network in the absence of fallback arrangement. During the test check, it was confirmed that Post Offices were working on single network in Karnataka, Jharkhand and Tamil Nadu circles.

During subsequent updation in November 2021, Audit noticed that total number of 1,677 locations were still working with single bandwidth connectivity i.e. 548 locations with primary network and 1,129 locations with secondary network.

Further, 450 Post Offices of Class D & E locations were provided/ working with Primary bandwidth connectivity of 256 Kbps as at the end of January 2019 which was less than the prescribed Minimum bandwidth of 512 kbps under National Policy. This was also confirmed during the test check that Post Offices in Andhra Pradesh, Chhattisgarh, Delhi, Himachal Pradesh, Jammu & Kashmir, Jharkhand, North East, Punjab, Tamil Nadu, Telangana, Uttar Pradesh and Uttarakhand circles were working with less than 512 kbps. During subsequent updation in November 2021, Audit noticed that 302 Post Offices of Class D and E locations were still provided with 256 kbps only.

Regarding provision of single NSP bandwidth, the Ministry stated (January 2022) that efforts were taken to provide both connectivity at all the locations but there were field challenges/ dependency on telecom infrastructure from BSNL and withdrawal of 3G services. Regarding less Primary bandwidth connectivity, it was stated that upgradation by BSNL was not feasible at these locations.

3.1.20 Conclusion

The IT Modernisation Project in DoP was approved by Government during 2012 for Modernisation and Computerisation of all Post Offices in the country including Branch Post Offices in rural areas. Though the major segments like CSI, FSI, NI & RSI/ RH were substantially completed after delays of one to four years, nevertheless due to non-completion of work at few locations, the intended integration benefits were not available in totality to the DoP as well as to its customers. The main concerns in implementation of the projects are

1. Networking issues such as No Network or Poor Network at Post Offices resulted in disruptions in services in DOP leading to customer dissatisfaction. Similarly technical non-feasibility at 2,694 locations, especially in North East, hilly and remote areas resulted in non-availability of the modernisation benefits to the rural populace.
2. Implementation of Core Banking Solution without proper customisation of business rules and validation of data resulted in irregularities. Despite instructions from Postal Headquarters, the field formations of the DOP did not ensure error free migration of data from earlier applications with proper validation of the data.
3. Non provision of alternate delivery channels for Banking facilities to customers such as Mobile Banking and SMS Banking etc., for a long period, though required to be provided by the vendor as per project objectives and Agreements.
4. Implementation of important Sub-Modules in CSI like Budgeting, Asset Accounting and Costing etc. were implemented after significant delays of four to five years.
5. Non integration of all the softwares and solutions developed by other System Integrators for a long period also resulted in non-achievement of objectives.
6. Complete hardware for Mail operations were not supplied resulting in non-achievement of intended objectives such as increase in operational effectiveness and reduction in employee's working hours etc.

The Project Implementation Committees and its Core Sub-Committees concerned did not adequately pursue with the vendors for proper customisation/ implementation and for adhering to the timelines for completion of the project resulting in under achievement of "Anywhere, Anytime Banking" in Post Offices. Evidently, 643 Post Offices were still functioning without Core Banking Solution (CBS), 1,677 locations were still working with single bandwidth connectivity and 2,694 locations are under Technically not Feasible (TNF). The field formations in the Circles and Head/ Sub Post Offices did not ensure error free migration of data and validation of Business Rules. The intended benefits viz. wide reach to the Indian populace through more customer interaction channels, better customer service, growth through new lines of business and IT enabled of business processes and support functions etc., could not be achieved to the extent as mentioned in the Report.

3.1.21 Recommendations

Based on the Audit observations reported above, the following recommendations are proposed.

- ***DoP may ensure integration of Core System with other systems such as Financial Services System Integrator and Rural System Integrator to avoid discrepancies of data in different systems***
- ***DoP may ensure Customisation of Core Banking Solution with reference to Post Office rules and regulations and avoid irregularities in maintenance of accounts and KYC updation be completed in Customer Information Files (CIFs) to ensure proper application of POSB rules and prevent cases of misappropriations***
- ***Network connectivity from two separate network service providers be ensured in all Post Offices for fall-back arrangements and for ensuring continuity of services to customers.***
- ***In case of no network areas (TNF), DoP may explore alternate connectivity measures like satellite links (VSAT) to bring the Post Offices in TNF locations to the main stream of modernisation.***
- ***DoP needs to address all the lacunae in the system in a time bound manner to update the system with an error free data base to enable better Banking experience to the customers.***

3.2 Functioning of Railway Mail Service and Road Transport Network in Department of Posts

3.2.1 Introduction

The Postal network of India is the largest network in the world having more than 1.55 lakh post offices and extends to the remotest corners of the country. The core activity of the Department of Posts (DoP) is processing of mail, which involves collection, transmission and delivery of mail. The network is divided into 23 Postal Circles for administrative convenience.

Railway Mail Service (RMS) is the most important channel used by DoP for carrying and transmitting postal articles to all parts of the country. The RMS wing of DoP is responsible for the collection, sorting and despatch of mails. A network of 69 Divisional Offices, 400 Sorting Offices and 345 Record Offices handle the service. Senior Superintendent/ Superintendent (SSRM/ SRM) head the RMS Divisions. The overall administrative control of the RMS Divisions rests with the Regional Post Master General.

DoP had 66 Departmental RMS Vans and hired accommodation in 144 Trains (as on March 2020), for conveyance of mail through RMS. Out of 269 RMS sections, 39 sections are functioning in Departmental RMS Vans and rest of the 230 sections are functioning out of hired accommodation in trains. Apart from using the services of the Indian Railways, the RMS wing also operates Road Transport Network (RTN) for carriage of mails, introduced in June 2013. The Plan Scheme 'Development of Road Transport Network' approved by Postal Directorate aimed to ensure safe and secure transportation of parcels, particularly e-commerce articles. Besides, DoP also decided to utilise the spare capacity available in the RTN vans for transportation of speed post articles until the parcel business grew.

The mail traffic volume handled by the Department during 2017-20 is given in **Table 3.4**, which shows significant decline in un-registered mail over the period, and steady business in Registered mail and Premium Products of the Postal Department. However, overall business declined from ₹634.61 crore in 2017-18 to ₹510.27 crore in 2019-20.

Table 3.4: Mail traffic during 2017-2020

(figure in crore)

Category	2017-18	2018-19	2019-20
Registered	19.33	19.79	19.30
Unregistered	567.69	501.81	446.66
Premium Products*	47.59	54.65	44.31
Total	**634.61**	**576.25**	**510.27**

*Speed Post and Express Parcel Post etc.

The expenditure incurred towards conveyance of mails during 2017-20 is given in **Table 3.5**.

Table 3.5: Year-wise expenditure on Mail services

(₹ in crore)

Year	Total Revenue Expenditure	Expenditure on Mails Services[15]	Expenditure on RTN	Expenditure on RMS[16]
2017-18	26018.84	2386.29	16.09	116.86
2018-19	27994.35	2611.33	9.74	194.74
2019-20	29139.74	2501.18	10.53	183.02

Though overall expenditure on Mail Services saw some decline over the period, expenditure on RMS increased from ₹116 crore to ₹183 crore.

3.2.2 Audit Scope, Objectives, and Audit Methodology

3.2.2.1 Audit Scope

The audit was conducted in 22[17] Postal Circles, covering activities of the RMS wing for three year period 2017-18 to 2019-20. During the audit conducted from June 2020 to September 2020, records at Postal Directorate, Circle Offices, Regional Offices and RMS Divisions were test checked for both RMS and RTN functions.

3.2.2.2 Audit Objectives

Audit objectives were to see whether

1 RMS and RTN operations were carried out in conformity with the rules/ directions of DoP and the operations were managed effectively and efficiently to earn revenue with optimal utilisation of available resources.

15 HOAs included: 3201-01-101-04-RMS Divisions; 3201-02-102-Mail Sorting and 3201-02-103-Conveyance of Mails

16 HOA included: 3201-01-101-04-RMS Divisions.

17 Out of the 23 Postal Circles under DoP, North Eastern Circle was not selected for audit, as there is no RMS division.

2 Routes identified for Rail/ Road transmission and accommodation hired in trains were in conformity with rules/ directions/ norms issued by the Directorate.

3 Requirement of Departmental RMS vans, hired vans and hired accommodation in trains reviewed periodically in consultation with field offices, for efficient management.

3.2.2.3 Audit methodology

Audit examined the relevant records at Postal Headquarters. In each Postal Circle, 50 *per cent* of RMS divisions subject to a minimum of one division and maximum of three divisions based on expenditure incurred for conveyance of mails were selected for audit. Due to Covid-19 pandemic situation, electronic resources like 'MS Teams' for meetings with unit heads, digital means/ e-mails for collection of records, emails to issue of audit memos to the Management etc. were used. Wherever feasible, audit teams visited Postal Circle Offices, Regional PMG Offices and RMS Divisions.

3.2.3 Audit Findings - Railway Mail Services

RMS uses departmentally procured railway bogies (postal vans) as well as hired railway bogies (non-postal vans) for mail operations. The postal vans (full bogie) are utilized by attaching the same with the trains operating on selected routes. DoP pays haulage charges to Railways for both Postal and Non-Postal Vans based on the actual services provided by the Railways.

DoP issued (January 2007) instructions 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 full bogie was to be treated as 72 berths in Broad Gauge (BG) and 64 berths in Meter Gauge (MG); and
- ❖ Rebate of two *per cent* on Capital Investment by DoP shall continue to be given by Railways on postal vans.

DoP clarified (February 2007) the classes of mail vans for the purpose of haulage charges, according to which payments were to be made for four slabs of berths i.e. (i) 1-18, (ii) 19-36 (iii) 37-54 and (iv) 55 - 72. As per this, DoP had to pay for the maximum number of berths for a slab even if the utilization was minimum number of berths in that slab. Thus, to bring the cost down, DoP instructed the Circles to reassess the requirement of accommodation for all the sections.

Observations on excess payment of haulage charges were included in **Para No. 2.4** of **Report No. 21 of 2017**. Ministry in their Action Taken Note (ATN) had stated (October 2017) that suitable instructions had been issued to all concerned.

Audit, however, noticed that instructions issued by the DoP were not being followed and deficiencies continued to persist as detailed below.

3.2.3.1 Excess payment of haulage charges due to improper verification/ inaction on claims raised by Railways

For timely transportation of mails, the requirements of berths in bogies shall be reviewed periodically based on the volume of mail handled by a section and effective action should be taken for revising the sanctions to ensure that sanctioned berths are made available for use by Postal Department. In the berth displacement order DoP directed (January 2007), that payment would be based on actual services provided by Railways. Audit noticed the following deficiencies during the scrutiny of records.

3.2.3.2 Payment for sanctioned berths without verifying actual allotment

Scrutiny of records of 22 Circles revealed that Railways had raised bills for berths sanctioned instead of actual berths allotted in three Circles and the Circles made the payments without verification of the claims, resulting in excess payment of haulage charges of ₹12.15 crore as detailed in **Table 3.6**.

Table 3.6: Details of payment made for berths sanctioned instead of allotted

Circles	Sections	No. of Berths				Period
		Sanctioned	Allotted	Paid	Excess Payment (₹ in crore)	
Gujarat	J-29	36	18	36	1.09	04/2018 to 03/2020
Odisha	12 Trains	36*	18	36	10.61	04/2017 to 02/2020
Telangana	L-1	36	18	36	0.37	07/2017 to 01/2020
	Z-26	36	18	36	0.08	04/2017 to 06/2019
Total					**12.15**	

*in each train bogie

Ministry while accepting the audit observation stated that (June 2021) the matter has been taken up by the Circles with Zonal Railways concerned for recovery of excess payment.

The fact is that the Postal units made payments for the bills raised by Railways without verifying the berths actually allotted, resulting in excess payment of haulage charges.

3.2.3.3 Short allotment of berths as against sanctioned

The sanction of berths for RMS by Railways is based on the requirements projected by DoP. However, there were many instances of short allotment of berths as against those sanctioned by Railways. In three out of 22 Circles, Audit observed that the short allotment for the period 2017-2020, adversely affected the quality of service provided due to inadequate space in four sections as given in **Table 3.7**.

Table 3.7: Short allotment of berths against sanctions

Circles	Sections	No. of Berths		
		Sanctioned	Allotted	Shortage
Gujarat	AM-38	36	18	18
Uttar Pradesh	O-2	36	18	18
	X-1	36	18	18
Uttarakhand	DN-2	36	18	18

Ministry stated (June 2021) that the cases of short accommodation provided have been addressed to the Railways from time to time and requests have been made to Zonal Railways by the Circles as well as by Directorate to Railway Board.

However, the fact remains that the short allotment adversely affected the quality of service provided by the Department.

3.2.3.4 Payment made for full sections even after closure of part of the sections

Audit scrutiny of records of Bihar Circle revealed that in two sections, payments were made for full sections even though part of the sections were closed as detailed in the **Table 3.8**.

Table 3.8: Details of payment of haulage charges for closed routes

Circles	Sections	Distance billed	Actual distance	Excess Payment (₹ in lakh)	Period
Bihar	RN-32	460	286	54.82	06/2015 to 03/2017
	H-26	859	512	43.19	07/2014 to 10/2017
Total				**98.01**	

In RN-32 Section (Nagar Untari-Daltonganj-Gomo 460 KM) a portion of the section viz., Daltonganj-Nagar Untari route was abolished with effect from 01 June 2015. After abolition of said routes, the distance to and fro Gomo to Daltonganj came down to 286 KMs. Despite this reduction in length of route, Railways continued to prefer haulage charge bills based on the length of the earlier route. No action for rectification was taken by the Postal Circle which ultimately resulted in excess debit (up to March 2020) of haulage charges to the Department by RBI of ₹54.82 lakh.

The Circle operated two RMS sections H-26 (Sealdah to Sahibganj - 347 Km) and DH-3 (Sahebganj to Mugalsarai/ Varanasi - 512/ 528 Km) which were in operation for carrying of mails between Sealdah to Mughalsarai/ Varanasi. Section H-26 was abolished/ discontinued by West Bengal Circle, Kolkata with effect from 01 July 2014 under intimation to Bihar Postal Circle. However, Railways continued to claim haulage charges for Sealdah to Mughalsarai/ Varanasi despite discontinuation of Section H-26 and the bills were paid by Bihar Postal Circle without taking into consideration the reduction in length of the route. This also resulted in excess payment of haulage charges by the Posts to the tune of ₹43.19 lakh.

Ministry replied that (June 2021) the matter is being taken up by Bihar Circle with the Zonal Railways concerned for adjustment of excess amount paid in subsequent bills or by crediting back through Director of Accounts (Postal).

The above instances are only based on test check and more such cases cannot be ruled out. This indicates that the Department's internal verification of the bills raised by Railways was inadequate and DoP needed to be more alert to the claims raised by Railways by introducing internal checks and internal audit on the claims raised.

3.2.3.5 Excess Debit of haulage charges by RBI

As per the provisions contained in Appendix-5 of FHB Vol-II, in respect of haulage charges to be paid to Indian Railways on berth displacement system, the billing will be done on monthly basis. Zonal Railways shall raise the bills by 10th of the following month to which the bills pertain. Billing will be done on actual services provided during the month. Railway shall send advice to debit against the DoP directly to the Reserve Bank of India (RBI) for affording credit to the Railways and debit to DoP. In case of any shortcomings in the bills raised by Railway is noticed, the same shall be discussed and reconciled in the monthly reconciliation meeting to be held between concerned authorities of Railways and DoP. Any amount not due from DoP as mutually agreed in reconciliation meeting, shall be adjusted by Railways immediately along with the next bill.

Postal Directorate advised Circle Offices that the details regarding amount to be adjusted on excess payment may be taken up immediately with RBI (CAS – Central Accounting Section), Nagpur to get it adjusted and details intimated to Directorate at the earliest. Copy of the above instructions (September 2017) was also endorsed to RBI, Nagpur with the instruction that payment to Railways should be made only on receipt of proper validation from the concerned Postal Account Offices so as to avoid instances of over payment. These directions were issued to RBI based on the assurance given by DoP through ATN on Para No. 2.4 of CAG Report No. 21 of 2017.

Audit observed that despite specific directions (September 2017), the practice of RBI directly debiting DoP for Railway bills continued without validation of the bills by DoP resulting in excess debit of ₹17.85 crore in five Circles alone as detailed in the **Table 3.9**.

Table 3.9: Details of Excess Debit of haulage charges by RBI

Circles	Excess Debit by RBI (₹ in crore)	Period
Bihar	1.82	10/2017 to 09/2020
Odisha	5.28	2017 to 2020
Haryana	0.19	04/2018 to 03/2020
Uttar Pradesh	10.51	04/2019 to 12/2020
Gujarat	0.05	10/2017 to 12/2019
Total	**17.85**	

In Odisha and UP Circle, it was also observed that monthly reconciliation meetings were not being held regularly to discuss and reconcile the bills raised by the Railways.

Ministry stated (June 2021) that in the present system of payment of haulage charges, there was no provision of pre-validation from the nodal payment circle concerned of the DoP and despite request to RBI (CAS) Nagpur, the amount mentioned in the haulage bills raised by the Zonal Railways were debited to the DoP. In respect of Bihar, Haryana and Gujrat Circles, the excess amount debited by RBI Nagpur has since been credited back to the Circle; while in case of Gujarat Circle, though the amount was credited back, it was re-debited by Railways. In respect of Odisha Circle, ₹1.98 lakh has since been adjusted and in respect of UP Circle, matter was being pursued with the Zonal Railways. Ministry further stated that in order to avoid these circumstances and streamline the process of haulage payment in future, proposal for adopting the procedure of direct payment to Railways after validation of haulage bills by the Department of Posts has been sent to Railways in November 2020 and added that the matter was being pursued further.

The reply indicates that the DoPs instructions (September 2017) were endorsed to RBI without any consultation with them on the pre-validation requirement. This has not only resulted in non-implementation of the assurance given by DoP, but continuation of excess direct debits by RBI. Until the payment system is changed as proposed by DoP, they need to ensure regular reconciliation of the claims made by the Railways and raised on RBI directly, for adjustment of any excess billing.

3.2.3.6 Excess payment of Rent for RMS buildings owned by Railways

DoP issued (May 2010) instruction for calculation/ payment of license fee in respect of RMS buildings constructed under deposit scheme as @ 6 *per cent* of market value of land annually to be revised every five years. For RMS buildings owned by Railways, following were the revised rates of interest charges

(i) @ 6 *per cent* on Capital invested after 01 April 1964

(ii) @ 4.5 *per cent* on Capital invested prior to 01 April 1964

Railways, while re-iterating the rate of interest stated (January 2018) that the land value, as prescribed by the Revenue Department of concerned state, can be taken for fixation of rent annually and to be revised every five years. However, audit noticed instances of incorrect computation of arrears of rent, untimely revision of rent and wrong application of interest rates leading to excess payment of ₹1.53 crore as detailed in **Table 3.10**.

Table 3.10: Details of excess payment of rent due to wrong computation

Circle	Name of building	Excess Payment (₹ in crore)	Period	Remarks
Tamil Nadu	Chennai Sorting Division & M Division	1.31	1995-2010	Revised in 2018 retrospectively for every year instead of five years
Punjab	RMS Patiala, Bathinda &Roopnagar	0.07	2015-2020	Interest charged @ 6 *per cent* instead of 4.5 *per cent*
Odisha	Service bldgs under 'N' Division viz., Cuttack, Bhubaneswar, Khurda,Bhadrak, Puri, JK Road and Paradeep	0.05	2017-2018	Wrong application of interest rate for the building constructed prior to the year 1964
Jharkhand	RMS Ranchi	0.10	2011- 2020	Railways revised the market value of land by 7 *per cent* every year instead of every five years and charged interest thereon
	Total	**1.53**		

The above are only illustrative cases and the DoP needs to internally audit all such charges being billed by Railways and payments made by DoP on account of buildings hired for RMS.

Ministry, while accepting the audit observation stated (June 2021) that the matter had been taken up with concerned Railway authorities. Ministry also stated that concerned Circles had been instructed in May 2021 to take remedial steps to ensure that similar excess payments are not made in future.

3.2.3.7 Payment of avoidable rent on vacant/ unutilized building

To ensure economy, it is prudent to surrender a rented building/ excess space occupied than justified, when not in use. However, instances of delays in surrender of rented building/ excess space than justified were noticed due to lack of due diligence, which resulted in payment of avoidable rent of ₹72.17 lakhs for vacant/ unutilised buildings in six Circles as detailed in **Table 3.11**.

Table 3.11: Details of avoidable rent on excess space/ vacant building

Circles	Building	Avoidable Payment (₹ in lakh)	Period	Remarks
Tamil Nadu	Transit Mail Office, Tambaram	24.29	04/2017 to 03/2020	Building kept vacant since September 2017.
Andhra Pradesh	RMS,Chittoor	22.75	12/2017 to 11/2019	24 months delay in surrender of building.
Rajasthan	Bldg. at Bandikui, SSRM Jaipur	11.75	06/2017 to 11/2018	Lying vacant since shifting of office to Jaipur in June 2017.
Uttar Pradesh	RMS, SRO Agra	1.55	2015 to 2017	Delay of 1 ½ years in handing over though vacated on 20 September 2015
Kerala	RMS, Kollam	4.97	2017 to 2020	Occupied excess space of 1787 sq.ft than the justified space
Punjab	RMS, Patiala	6.86	2018 to 2019	Billed for the vacated building and payment made
	Total	**72.17**		

Ministry accepted (June 2021) the issues raised by Audit except for UP and Kerala Circles. Regarding Uttar Pradesh Circle, Ministry replied that the old building of O/o Senior Record Officer, Agra was in possession of the Department since the building was required for operational purpose. The reply is not acceptable, as the building was vacated in 2015 itself but no effective action was taken immediately to surrender the building thereafter. Regarding Kerala Circle, Ministry added that the carpet area of Kollam RMS office was 3,314 sqft. and the same area was required for the proper functioning of the office. The reply is not acceptable as the justified area as per SSRM record was 2,182 sqft whereas 3,969 sqft area was being billed for the building.

DoP needs to issue instructions to all Circles to review space in properties occupied by Postal Department and ensure timely vacation of vacant/ excess space in interest of economical RMS operations.

3.2.3.8 Unsettled Licence Fees/ rent for the Railway space occupied by DoP

As per the procedure of intra Government settlement between DoP and Railways, all the transactions are done through RBI Nagpur only as book adjustments. For any amount that is to be debited to DoP account, the concerned Railway zone raises an advice and sends it to the RBI. The bill is sent to DoP with details. Once RBI receives the advice, it credit the amount to Railway account debiting DoP and issues a clearance memo with an advice number to DoP. Disputes on debited amount are to be settled through dispute redressal mechanism. However, it was noticed that in two Circles there were huge outstanding in Licence Fee pending clearance in DoP accounts as shown in **Table 3.12**.

Table 3.12: Details of unsettled Licence Fees on RMS buildings

Circles	Details	Amount outstanding (₹ in crore)
Uttar Pradesh	6 RMS buildings	18.23
Telangana	15 RMS buildings	11.69
Total		**29.92**

In Uttar Pradesh Circle, the outstanding amount pertained to six RMS buildings where the claims of the Railways towards land licensing charges were under dispute. No action towards settlement of disputes was found to be made by the Circle. As the payment mode was "Book debit", the above amount also stood debited from DoP account by the RBI.

In Telangana Circle, the amount is outstanding for disputes relating to date of occupation, inclusion of earlier payments as unpaid, difference in area of land occupied and billing rent @ 12 *per cent* of land value instead 6 *per cent*. However, the Circle has not conducted any meeting with Railway authorities to settle the issues.

Ministry accepted the facts and stated (June 2021) that the concerned Circles had been instructed in May 2021 to take remedial steps to settle the Licence Fees on RMS buildings in future.

3.2.3.9 Irregular payment of Service Tax/ GST on Rent paid to Ministry of Railways

MoF instructions (December 2016) stipulate that the services provided by Indian Railways to DoP are not leviable to service tax, as both the departments are arms of Central Government. Further, MoF instructions (June 2017) stipulates that the services provided by the Central Government, State Government, Union territory or local authority to another Central Government, State Government, Union territory or local authority are exempted from payment of Goods and Service Tax (GST).

DoP also clarified (March 2019) the position to its Circles that GST is not applicable on licence fee to be paid to Ministry of Railways for the properties rented for RMS Office.

Audit scrutiny, however, revealed that in seven Circles, Railways billed GST along with rent and DoP paid ₹3.46 crore without verification of claims as detailed in the **Table 3.13**.

Table 3.13: Details of irregular payment of Service Tax/ GST on Rent

Circles	Divisions	Amount (₹ in lakh)	Period
Andhra Pradesh	Vijayawada	1.14	2017 to 2019
	Visakhapatnam	9.47	
Uttar Pradesh	RMS Muzzafarnagar, Meerut Cantt	2.15	2018
	RMS/Postal establishments in Lucknow	278.52	2015 to 2020
Bihar	PT Division, Patna	6.66	2014 to 2018
Jharkhand	Ranchi	1.72	2018 to 2020
Odisha	'N' Division, Cuttack	16.20	2017 to 2020
Himachal Pradesh	SRO Pathankot, Kalka & Shimla	4.26	2016 to 2018
Punjab	Punjab Circle	25.82	2017 to 2018
Total		**345.94**	

Ministry accepted the facts and stated (June 2021) that the concerned Circles had been instructed in May 2021 to take remedial steps to ensure that payment of GST/ Service Tax are not made in future. However, the Ministry remained silent regarding refund/ adjustment of GST already paid.

3.2.3.10 Non availment of Input Tax Credit

Consequent upon introduction of GST, DoP issued instructions in August 2017 regarding availment of Input Tax Credit (ITC) for GST to all the Circles. For the purpose of tax compliance in the GST regime, nodal office or registered person will be the cheque-drawing DDO (CDDO) only. The registration, filing of returns and tax compliance in the department will be done by CDDO. The non-cheque drawing DDO (NCDDO) will be passing every possible information. i.e., order no., sanction memo and GST complied invoice of the seller etc. with the CDDO for ensuring tax compliance. Input tax shall be availed by a CDDO if all the applicable conditions as prescribed in Section 16 of GST Act are satisfied.

Audit scrutiny revealed that eight Circles had not availed the ITC for payments made to private airlines for carriage of mails due to various reasons as detailed in the **Table 3.14**.

Table 3.14: Details of un-availed Input Tax Credit

Circles	Division/ Unit	Amount (₹ in lakh)	Period	Reasons
Gujarat	PMG	3.63	7/2017 to 03/2019	Vendor invoice without GSTIN
Tamil Nadu	Circle Office	550.00	2017 to 2020	Invoice on one authority and payment by another
Rajasthan	RMS Jaipur	31.10	2017 to 2020	Not furnished
Jammu &Kashmir	Circle Office	15.78	05/2016 to 05/2019	Payment by Circle Office and Circle Office cannot claim GST on behalf of Head Post Offices
Bihar	Circle Office	13.19	2017 to 2020	Payment by Circle Office, wrongly mentioned as ‘no output service’
Jharkhand	Circle Office	33.97	07/2017 to 02/2020	GSTR 1 and GSTR 3B were not filed by the Airlines
Kerala	Circle Office	65.87	07/2017 to 03/2020	Not furnished
Odisha	Circle Office	15.23	07/2017 to 10/2019	Not furnished
	Total	**728.77**		

Ministry stated (June 2021) that a letter on the subject matter was issued to all the circles to avail ITC and to follow the guidelines properly.

In most of the above cases, the time allowed for claiming ITC have already been elapsed and hence the Directorate, will have to take up the matter with the Service Tax Authorities accordingly.

3.2.3.11 Idling of Barcode printers/ Bar code scanners/ Tag Printers

Under Mail Office Hardware (MoH) component of IT Modernisation Project of DoP, Circles were authorised to procure mail operation hardware viz., Scanners, Printers, Gen sets, UPS and

Weighing scales based on the quantity, items for each circles, technical specifications communicated by the Directorate in February 2018. It was noticed that the Mail Hardware (Tag Printers etc.) procured under MoH by 12 Circles were lying idle as detailed in **Table 3.15**.

Table 3.15: Circle wise details of idle lying Tag printers/ Scanners

Circles	Items	Qty	Cost (₹ in lakh)	Year of procurement	Reasons for non-utilisation
Karnataka	Tag Printers	36	4.63	2018-19	No option for printing barcode labels through thermal printers in CSI module
Gujarat	Tag Printers	55	3.10	2019-20	Tag printers are thermal printers and not useful for the office.
Tamil Nadu	Tag Printers	112	15.60	2019-20	No option for printing barcode labels through thermal printers in CSI module
Andhra Pradesh	Tag Printers	55	6.85	2018-19	Non-compliant to CSI software
	Printers	46	11.32	2018-20	Non supply to the field units
	Scanners	41			
Telangana	Tag Printers	49	6.67	2018-19	Non-compliant to CSI software
Rajasthan	Tag Printers	41	4.02	2018-19	No display or key boards for standalone use
UP	Tag Printers	14	1.67	2018-19	Not compatible with existing CSI software
Maharashtra	Tag printer etc.	112	10.22	2018-19	Non-assessment of actual requirement
Bihar	Tag Printers	23	3.04	2018-19	Use has not been clarified by the Directorate so far
Kerala	Tag Printers	54	6.51	2018-19	Not compatible with existing software SAP
Jammu &	Tag Printers	7	0.91	2018-19	Non availability of software
Punjab	Tag printers	11	1.85	2018-19	Want of guidelines for its usage
Total			**76.39**		

Thus, procurement of Mail Hardware without assessing the required specifications resulted in wasteful expenditure of ₹76.39 lakh.

Ministry stated (June 2021) that Tag Printers had been procured for various mail offices under Mail Operations Hardware (MoH) segment of the IT Modernization project as per technical specifications provided by the Project Management Unit (PMU) for printing of bag labels in Mail Offices, Transit Mail Offices (TMOs) and Speed Post Hubs/Intra State Hubs. However, during the initial phase of CSI rollout, pre-printed barcodes have been used and use of Tag Printer was under process in the IT Modernization Project 2.0 and these printers would be used for printing of Tag Labels.

Thus, procurement of Tag Printers by DoP without assessing the required specifications resulted in idling of tag printers worth ₹76.39 lakh, defeating the very purpose of it.

3.2.3.12 Non utilisation of Dimensional Weighing System

DoP had proposed to deploy modern equipment called Dimensional Weighing System[18] (DWS) with an intention to cater e-business market and to provide reliable and economical services to urban/ rural customers, to enhance the efficiency of parcel/ mail handling process and minimize the human error involved in conventional process of sorting.

DWS intends to generate accurate records of volumetric weight and dead weight measurement. The volumetric weight and dead weight thus captured shall be seamlessly shared with DoP application software, i.e. speed net/ business parcel net etc. Another component of Parcel Sorting System i.e. Conveyor system was designed to handle continuous and systematic feeding of parcels one by one to the feeder to ensure throughput of 3000 pph.

Audit scrutiny revealed that DWS system procured were not integrated with the CSI software and hence could not be utilised in five Circles resulting in infructuous expenditure of ₹4.44 crore as detailed in the **Table 3.16**.

Table 3.16: Details on Dimensional Weighing System procured

Circles	Cost(₹ in crore)	Month/Year of procurement
Rajasthan	1.23	September 2019
Andhra Pradesh	1.04	February 2020
Telangana	0.85	November 2018
West Bengal	0.56	September 2018
Uttar Pradesh	0.76	September 2017
Total	**4.44**	

As per the Agreement signed with the vendor, the software for integrating the DWS solution with the current/ proposed software (CSI) of DoP would have been provided by the vendor. However, no action was taken to commission/migrate the DWS system in CBS/CSI platform as seen from the records made available to audit. Hence, at present the system is working on the legacy application software, Speed net, and Parcel net.

Thus, due to non-integration of the DWS system with the existing CSI software resulted in infructuous expenditure of ₹4.44 crore. On this being pointed out by Audit, Ministry accepted the Audit point and stated (June 2021) that DWS machines were integrated with the legacy software i.e. Speed Net, Parcel Net, BNPL Parcel where volumetric weight as well as gross weight of parcels are being captured. Legacy software calculates the postage on the higher weight i.e. volumetric weight or Gross weight and customers were being charged accordingly. Further, integration of DWS with CSI was currently under process by Department in the IT modernization project 1.0.

It is evident from the reply that seamless data transfer from DWS to CSI was not being done and the DWS system was not being utilized optimally. The very purpose of installation of DWS was to enhance the efficiency of parcel/mail handling process and minimize the human error involved in conventional process which was not achieved. This has resulted in unfruitful expenditure on DWS system.

[18] DWS- This should capture the dimensions and weight of parcels accurately for calculation of volumetric weight of the parcels. This system intends to generate accurate records of volumetric weight and dead weight measurement. The volumetric weight and dead weight thus captured should be seamlessly shared with application software.

3.2.4 Mail Services through Road Transport Network (RTN)

DoP formulated a proposal under 12th Plan (2012-2017) for **"Development of Road Transport Network"** for carriage of parcels on selected routes. The approved outlay for the Scheme was ₹35 crore (June 2013). Further the plan was extended for the period 2017-18 to 2019-20 (post 12th Plan).

The objectives of the RTN Scheme were

i) To develop a safe and secure system for transportation of parcels in order to capture the opportunities offered by growth of e-commerce in India

ii) To develop a reliable and faster road transport mechanism for transportation of parcels on intercity routes in the periphery of metro and other cities

iii) To improve the service quality by providing time-definite delivery of parcels to the customers.

While approving (June 2013) the scheme, the assumption was that the implementation of Scheme would lead to additional parcel traffic and revenue for DoP. The new parcel traffic was expected to grow at a rate of 25 *per cent* per annum during the period 2012-2017. DoP decided to use the spare capacity available in the proposed RTN vehicles for transportation of speed post articles as well, until the parcel business grew. The Department decided to adopt an outsourced model of road transportation with the selection of service provider/vendors to be done through the standard tender process under relevant Department rules. It was also envisaged that the service providers would have to meet the requirements in terms of fitting the vehicles with Global Positioning system (GPS) for an effective supervision by DoP over movement of the vehicles.

The project envisaged setting up of a Quality Monitoring Cell (QMC) at the Directorate level in DoP, **through hired manpower** for the purpose of daily monitoring, development and maintenance of new applications, if required and development of MIS and monitoring systems.

Scrutiny of RTN Scheme at test checked Circles revealed the following deficiencies as detailed below.

3.2.4.1 Non-achievement of projected scheme objectives

DoP approved 54 RTN routes in 18 Circles during the period from 2013-14 to 2016-17 and of this, 43 routes in 16 Circles were made operational between 2014-15 and 2016-17. Out of the 43 routes, six routes[19] were closed during the original scheme period (up to March 2017) due to various reasons such as non-improvement in service quality by providing time definite delivery of parcels and speed post articles and poor growth in e-commerce parcels. Further 19 new RTN routes[20] were approved by DoP, during the period from 2017-18 to 2019-20

[19] Ahmedabad-Vadodara, Ahmedabad-Rajkot, Jaipur-Agra, Trivandrum-Kozhikode, Ranchi-Patna and Bhubaneshwar-Berhampur.

[20] Assam (Guwahati to Tezpur and vice versa; Guwahati to Jorhat and vice versa; Guwahati to Tinsukla and vice versa); Kerala (Ernakulam to Calicut and vice versa; Ernakulam to Trivandrum; Ernakulam to Coimbatore vis Chadranagar, Palakkad; Calicut to Coimbatore vis Chadranagar, Palakkad); Madhya Pradesh (Indore-Shajapur); Odisha (Vis cuttack, Jaipur, Balasore and Bhadrak RMS); Rajasthan (Jaipur to Kota and

(post-12th Plan) and out of these, eleven routes were made operational, however, one route was closed during this period.

As on 31 March 2020, 47 RTN routes were functional whereas information regarding vendors/ contractors participating in the Plan Scheme for RTN were not readily available.

Scrutiny of parcel traffic handled through Express Parcel/ Business Parcel during the years 2014-15 to 2019-20 revealed that the expected growth in parcel traffic was not achieved by the DoP as against the expected growth of 25 *per cent* per annum and in fact, it reduced considerably in terms of volume during the period 2016-17 to 2019-20 as detailed in **Table-3.17**.

Table 3.17: Details of Growth/ Shortfall in Parcel Traffic (Express/ Business Parcel)

<table>
<tr><th>Year</th><th>Traffic (in crore)</th><th>Percentage of Growth / Shortfall from Previous Year</th><th>Budget Provision</th><th>Expenditure incurred on RTN</th></tr>
<tr><td>2015-16</td><td>1.29</td><td>-6.52</td><td rowspan="2">25.00 crore*</td><td rowspan="2">24.45 crore*</td></tr>
<tr><td>2016-17</td><td>1.56</td><td>20.93</td></tr>
<tr><td>2017-18</td><td>1.21</td><td>-22.44</td><td>13.00 crore</td><td>13.00 crore</td></tr>
<tr><td>2018-19</td><td>0.91</td><td>-24.79</td><td>16.24 crore</td><td>9.74 crore</td></tr>
<tr><td>2019-20</td><td>0.86</td><td>-5.49</td><td>19.80 crore</td><td>10.53 Crore</td></tr>
</table>

* Budget Provision and Expenditure of RTN scheme during 2012-13 to 2016-17

Though expenditure on RTN was exhausted in full during the years up to 2017-18 and DoP incurred total expenditure of ₹57.72 crore at the end of FY 20, the expected growth of 25 *per cent* per annum in the parcel traffic as projected in the plan scheme, did not materialise. On the contrary there was a considerable declining trend in parcel traffic over the last three years.

DoP needs to explore alternate means of transportation to reduce the operating expenses, in cases of non-availability of sufficient parcel mail instead of hiring full vehicles for RTN services.

3.2.4.2 Commissioning and operation of routes with negative feasibility

Test check of RTN routes revealed that six routes in five Circles were discontinued (June 2017-November 2019) from the operation, after rendering an expenditure of ₹3.85 crore on these routes, stating that quantum of mails was not justifying the routes and there was no delivery advantage.

Further, it was also observed that three of these discontinued six routes were operated for a period of two to three years period though the Department had abinito received negative feasibility/ review reports against the routes as detailed in **Table 3.18**.

vice versa via Sawai Madhopur; Jodhpur to Bikaner and vice versa via Nagpur; Ajmer to falna & Vice Versa); West Bengal (Kolkata/Howrah-Budwan& vice versa; Kolkat/ Howrah to Guwahati and vice versa via Malda; Kolkata/ Howrah to Bhubneswar & vice versa; Kolkata/ Saaidah to Berhampore and vice versa; Kolkata-Bankura vis Burdawan; Kolkata/Howrah to Patna and vice versa; Kolkata-Ranchi)

Table 3.18: Details of Routes operated with negative feasibility reports

Circle	Route and period of Operation	Date of Closure	Remarks
Odisha	Bhubaneswar – Berhampur (March 2016 to November 2019)	01-11-2019	Review Report (Negative Feedback) in August 2017
Jharkhand	Ranchi – Patna (August 2016 to August 2018)	09-08-2018	Review Report (Negative Feedback) in October 2015
Kerala	Trivandrum – Calicut (January2017 to August 2019)	06-08-2019	Review Report (Negative Feedback) in November 2017

Thus, due to commissioning of routes despite negative feasibility/ review reports and delays in discontinuing them, lead to unfruitful expenditure, besides, defeating the very purpose of introduction of RTN in these routes.

Ministry while agreeing with the audit contention, replied (June 2021) that based on the increase or decrease in volume of mails, mail transmission was reviewed periodically and alternative means of transmission such as RTN had been introduced. When the Circles realised that on certain routes, the expected projected traffic of parcel/mail volume was not justified, they closed the routes.

The reply is not acceptable, as pointed out above there were some instances of unfruitful RTN routes operated, without any clear advantage.

DoP needs to review the routes regularly and discontinue the un-justified routes in time.

3.2.4.3 Non-setting up of Quality Monitoring Cell

The Scheme proposal submitted (April 2013) by DoP to the Standing finance Committee (SFC) on "Development of Road Transport Network" envisaged setting up of a Quality Monitoring Cell (QMS) at the Directorate level and in each of the hub cities through hired manpower, for the purpose of daily monitoring, development of MIS and monitoring systems etc. Accordingly, DoP issued (June 2013) instructions on Plan Scheme to Circles including Quality Monitoring.

Audit scrutiny of records revealed that DoP did not set up QMC centrally at Directorate level and also did not ensure the setting up of these Centres in the Hub cities. In the absence of QMC, day-to-day monitoring, development and maintenance of new applications where required, development and maintenance of MIS and monitoring systems were not achieved.

Ministry while agreeing with the audit contention, replied (June 2021) that the setting up of QMC was not a mandatory component and was contingent upon the emerging operational requirement with respect to the project.

The Department needs to acknowledge the benefits of setting up of a Quality Monitoring Cell (QMC) for the project at the Directorate / Hub level instead of leaving the review of operations of RTN to the Circles.

3.2.4.4 Non-provision of GPS in RTN Vehicles

DoP while conveying (June 2013) the approval of the Standing Finance Committee (SFC) gave clear instructions to all the Circles that suitable clause may be incorporated in the Notice Inviting Tender (NIT) regarding providing of GPS enabled vehicles for RTN to monitor the movement of the vehicles. The Directorate also reiterated (March 2016) in their orders, GPS clause be included in NIT being issued by Circles for online and real time tracking and monitoring of location of vehicles.

Audit noticed that in five circles[21], despite Directorate orders, the provisions for GPS was either not included or not imposed, leading to lack of effective monitoring over the movement of vehicles due to non-provision of GPS in RTN vehicles.

For an instance case, in Kerala Circle, the RTN route was not touching Shornur RMS (from March 2017 to August 2019) but due to non-review of the route in real time by the authorities, the same was discovered only on closure of the route.

While accepting the non-provision of GPS, Ministry stated (June 2021) that GPS is a monitoring tool and though GPS was not installed in the vehicles, yet effective monitoring systems were in place to monitor vehicle movement and record any irregularities. It was further assured that Circles have now been sensitized to use GPS as a monitoring tool.

DoP needs to pursue the same, not only for effective control over timely arrivals and departures of vehicles on RTN routes, but also to penalise the contractor for deviations, if any.

Thus the implementation of the RTN Plan Scheme did not yield the expected growth in parcel traffic commensurate to the expenditure incurred by DoP. The operations were not monitored properly. Lack of proper feasibility study before commencement of routes and delays in review of routes led to discontinuation of routes after incurring of unfruitful expenditure on these routes. Despite orders, Quality Monitoring Circles were not set up at Directorate level / in Hub Cities and GPS were not installed by vendors for proper monitoring of movement of the vehicles.

3.2.5 Conclusion

The RMS services being run by DoP are important for the Department for generation of revenue. The audit findings indicate the need to manage the services economically and efficiently in their own financial interests. Deficiencies were observed in management of berths allocated to them by the Railways, sub optimal utilisation of space allocated/being used for RMS services and incorrect/excess payments being made to Railways, which were not in keeping with the agreed terms etc. These irregularities were not detected in time due to non / improper verification of the claims raised by Railways.

The instances of excess/ incorrect billing/ payments noticed by Audit reflect lack of internal controls in DoP with respect to payments which were made without proper verification, leading to excess/ avoidable payment towards haulage charges, rent on buildings hired from Railways

[21] Gujarat Circle (Ahmedabad-Bhuj-Gandhidham), Kerala (Trivandrum-Calicut), Jharkhand (Ranchi-Patna), West Bengal, Punjab

etc. There were huge unsettled claims in DoP for License Fees/ Rent for RMS space occupied by DoP.

Further directions issued by DoP (September 2017) to RBI regarding pre-validation of claims raised by Railways before debiting the DoPs account were not properly pursued leading to continuous excess direct debits by RBI , which were lying unadjusted for a long periods in DoP.

Mail Hardware procured under IT Modernisation Project of DoP were found idling and not integrated with the CSI software in RMS.

The RTN services were not managed efficiently as evident from the decline in parcel traffic over the period covered, monitoring was defective, resulting in non-achievement of scheme objectives of increase in parcel traffic by 25 *per cent*.

3.2.6 Recommendations

Audit recommends that DoP may:

- ***Strengthen the Internal Control mechanism for verification of claims raised by Railways to avoid the excess payment of haulage charges, rentals etc.***
- ***In consultation with RBI, change payment system by introducing the pre-validation system by DoP of claims raised by Railways, before their account is debited***
- ***Reconciliation meetings with Railway authorities to adjust the excess payments made, may be conducted on regular basis***
- ***Review space in RMS properties occupied by DoP and vacate excess / vacant space in interest of economic operations***
- ***Establish an effective monitoring mechanism by way of special cells for timely review of RTN routes to make them fruitful. They need to design the daily connectivity to the potential cities / towns to be an enabler for better quality of services to customers and increased revenue generation for the Department through RTN.***
- ***Ensure accountability of the service providers by providing GPS Services for live monitoring of movement of vehicles.***
- ***Pursue the optimum utilisation of Mail Hardware procured under IT Modernisation Project through integration with the Core System of the Department in a time bound manner.***

3.3 Idling of Aadhaar enrolment kits in Post Office Aadhaar Centres

Department of Posts (DoP) agreed to set up Aadhaar Enrolment Centres on request of UIDAI. They procured 13,353 Aadhaar enrolment kits during 2018-19 incurring an expenditure of ₹178.08 crore. Out of these, 1,976 kits were not in operation due to hardware, network and staff shortage issues. This resulted in blockade of funds amounting to ₹25.75 crore. Further, due to poor quality of service, UIDAI imposed a dis-incentive of ₹3.84 crore on DoP.

Unique Identification Authority of India (UIDAI) requested (April 2017) Department of Posts(DoP) to set up Aadhaar Enrolment cum Updation Centres[22] in Post Offices (POs)

[22] Mainly two types of services are provided in Post Office Aadhaar Centres:

emphasizing that it would help the Department earn additional revenue with existing manpower and resources. DoP decided to setup Aadhaar Centres in 14,200 POs by 31 December 2017 and GoI sanctioned (October 2017) a sum of ₹200 crore to the Department. Business Development and Marketing Directorate (BD & MD), DoP authorized (November 2017) all the Postal Circles to incur expenditure up to ₹1.50 lakh per PO for procurement of Aadhaar enrolment kits[23] **(Figure 3.1)** through Government e-Market Place (GeM) to set-up the Aadhaar Centres by 31 December 2017.

Figure 3.1: Aadhaar Enrolment Kits

Aadhar Enrolment Kits (CPU, Webcam, Monitor, Printer, Iris Scanner, Ten Fingerprint Scanner, Keyboard & Mouse) at Aadhaar Enrolment cum Updation Centre of Post Office, Civil Lines, Delhi

Postal Circles procured 13,353 Aadhaar enrolment kits through GeM at rates ranging from ₹1.10 lakh to ₹1.42 lakh during 2018-19 incurring a total expenditure of ₹178.08 crore to set-up the Aadhaar Centres in POs. Remaining un-spent fund of ₹21.92 crore was surrendered by the Circles. It should be noted that till November 2021, the Department had done 4.46 crore transactions earning revenue of ₹179.72 crore.

Audit scrutiny of records relating to commissioning and functioning of the Aadhaar Centres in DoP revealed that out of total 13,353 kits, 11,377 kits were operationalised and providing business to the Department, whereas the remaining 1,976 kits were either not in operation or providing Nil business as on March 2021 as discussed below.

3.3.1 Idling of Aadhaar enrolment kits in Post Office Aadhaar Centres

Scrutiny of the records at the Postal Directorate revealed that out of the total number of 13,353 Aadhaar enrolment cum updation kits procured during 2018-19 by 23 circles, 1976 kits were

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a. **Aadhaar Enrolment:** The Enrolment process involves electronic capture of demographic and biometric information of the residents. The Aadhaar Enrolments are done free of cost in Post Offices

b. **Aadhaar Updation:** (i) Demographic Updation such as Name, Email ID, Mobile Number, Address, Date of Birth etc. (ii) Biometric Updations, facial image, 10 fingerprints and Iris are updated through post offices. Aadhaar Updations are chargeable and a sum of ₹50 (including 18 *per cent* GST) is collected from the citizens for every Aadhaar Updation.

[23] Aadhaar enrolment kit consists of a set of hardware devices required to carry out successful Aadhaar enrolment & update. This set of devices combine Laptop/ desktop, monitor, multifunction printer/ scanner, white screen, focus light, surge protector spike, iris scanner, camera, slap scanner and GPS device.

either not in operation (in 12 circles[24]) or these were not providing any business (in 19 circles[25]) to the Department as on March 2021 as detailed in **Annexure-3.4**. Audit observed that the reasons attributed by the Postal Directorate were:

- Machines were installed but on-boarding of operator/supervisor was not yet done
- Syncing is a formality and no transactions were being performed by the Centres
- Lack of publicity due to non-display of signages and not organising melas
- Complete neglect toward providing this service and even denial of service to the customers
- Mismanagement of time resulting in long queues
- Non-availability of exclusive counters for Aadhaar

Postal Directorate also issued (August 2018) directions to the Circles to do close monitoring to ensure proper implementation of the project across the country and also gave instructions to create awareness among the public, by giving proper publicity through signages/information banners in the POs.

Despite the above instructions and directions, 19 Circles having 937 kits had not done any business during 2019-20 due to hardware and network issues, lack of public response and wanting outreach/publicity by the Centres. Though, Directorate issued (August 2019) directions to transfer the un-used Aadhaar kits to nearby other Post Offices having potential for transactions, only 725 kits in respect of 20 Circles were shifted to other nearby Post Offices having potential for transactions till 31 August 2021 and 1,251 Aadhaar kits still remained idle at the same site without providing any business during 2019-20.

On this being pointed out, the Department while accepting that 1,648 Centres were not in operation, stated (August 2021) that Aadhaar kits can remain non-operational with 'Nil' transaction because of number of issues which could be of temporary nature i.e. link failure, merging of offices, network/ technical issues, hardware issues. Most of these issues were of temporary in nature and got rectified by the Circles/ UIDAI. A kit might be non-functional on a given date due to any of the reasons mentioned above. Therefore, it might not be concluded from these errors that the kits remained idle always and had resulted in blockade of revenue.

Further, DoP stated that orders were given to consolidate kits having nil transaction or performing low business and transfer them to centres with high footfall. This shows that Department monitored the functioning of kits closely to optimally utilize the kits earning revenue.

The idle kits/ non-operational Centres in major states like Bihar, Chhattisgarh, Odisha, West Bengal etc. indicated inadequate outreach of the Postal Department to increase the Aadhaar issue operations. Besides in hard/ difficult areas of North Eastern Region, Uttarakhand and J&K etc., where postal network plays an important role for the citizens, the Department had obviously not encashed on its advantages to do more business on issuing of Aadhaar as evident

[24] Assam, Bihar, Chhattisgarh, Haryana, Kerala, Madhya Pradesh, Maharashtra, North East, Punjab, Rajasthan, Uttarakhand and West Bengal.

[25] Delhi, Assam, , Bihar, Chhattisgarh, Gujrat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, North East, Odisha, Punjab, Tamilnadu, Uttarakhand, Uttar Pradesh and West Bengal

from the number of "Nil' business Centres and idle kits. Even after transfer of 725 kits, 1,251 kits valuing ₹16.30 crore[26] were not operational and lying idle.

Thus, 1,976 kits valuing ₹25.75 crore were lying idle in 21 circles due to hardware, network and staff shortage issues resulting in blocking of funds.

3.3.2 Imposition of dis-incentives by the UIDAI owing to poor quality of data and deviations from enrolment process norms

"Regulation 26–Liability of Registrars, enrolling agencies and other service providers and action in case of default of Aadhaar (Enrolment and Update) Regulations 2016 stipulates that UIDAI may take steps for imposition of financial disincentives on such Registrar or Enrolment Agency or service provider or any other person and for cancellation of credentials, codes and permissions issued to them pursuant to the Act or these regulations or any other steps as may be specifically provided for in the terms of engagement with the Authority". The overall financial dis-incentives on account of deficiencies, in a given month shall be capped at 10 *per cent* of the total amount payable in that month to the registrars.

Audit scrutiny revealed that out of total claim of ₹49.76 crore, UIDAI imposed dis-incentives of ₹3.84 crore on DoP. The percentage of penalty suffered by various Circles ranged from 0.27 *per cent* to 39.23 *per cent*. Out of total penalty of ₹3.84 crore, amount of ₹1.51 crore itself pertained to Uttar Pradesh Circle.

Department while confirming the facts of imposing of disincentive of ₹3.84 crore stated (August 2021) that they had requested UIDAI authorities many times through letters, emails and even in meetings to share the details of penalties so that corrective measures could be taken. However, reports from UIDAI were not received.

The reply is not acceptable as the deficiencies for which penalty was imposed were being reported by UIDAI to DoP time to time and the same was communicated by DoP to its circles. Further, the details of deficiencies were made available by UIDAI at its official website along with sanction orders.

3.3.3 Recommendation

Department of Post may monitor/ review the status of idle kits/ nil business Centres for timely action to transfer them to needy circles. Department may pursue with UIDAI for cancellation and refund of the dis-incentives/ penalty imposed on them.

3.4 Irregular pension payments by Post Offices

Five Head Post Offices (HPOs) under West Bengal Postal Circle continued irregular crediting of pension amounting to ₹6.02 crore in respect of 122 cases, without obtaining mandatory life certificates from the pensioners. At the instance of Audit, in 14 cases, DoP credited back the irregularly drawn pension amounting to ₹64.51 lakh to Government account, while recoveries were pending in remaining cases.

Rule 137 of P&T Financial Hand Book Volume –II applicable to Department of Posts (DoP) stipulates annual verification of continuity of life of pensioners. It inter-alia mandates receipt

[26] Average cost of kits machine @ ₹1,30,336*1251

of life certificate of pensioner in the month of November each year for crediting pension in the pension account for subsequent months. It further prescribes that, in case pensioner fails either to appear in person or send the life certificate, the pension will not be automatically credited to his account. To ease the process, DoP permitted submission of Digital Life Certificate (Jeevan Pramaan) online from the year 2014, in respect of pensioners having pension account linked to Aadhar. Further, Finacle software (Core Banking System of DoP) introduced in postal network during 2015-16 facilitates pensioners to draw pension money from any post office within India.

Scrutiny of records (April 2018 and July-November 2021) in five Head Post Offices (HPOs) viz. Ranaghat, Baruipur, Alipore, Tamluk, and Barasat under West Bengal Postal Circle revealed that in case of 122 pensioners, pension was credited to pensioners' accounts despite wanting life certificates. Further analysis of 122 cases revealed the following.

a. Three HPOs (Ranaghat, Baruipur and Alipore) continued to credit monthly pension in 14 accounts amounting to ₹64.51 lakh, despite non-receipt of life certificate from the pensioners and non-operation of accounts by the pensioners. On this being pointed out by audit, HPOs accepted the fact and had written back ₹64.51 lakh at the instance of audit from pensioner's accounts to Government account.

b. Four HPOs (Baruipur, Alipore, Tamluk, and Barasat) continued to credit pension in another 85 cases despite non-receipt of life certificate for the last one to 10 years. Total irregular credit to such accounts was ₹4.22crore.

c. Further, in Tamluk HPO pension was found credited in 23 pension accounts wherein the pensioners had deceased 1-10 years back. Total amount irregularly credited in these accounts was ₹1.16 crore.

Thus, an amount of ₹6.02 crore was irregularly drawn and credited to 122 Pensioner's accounts in respect of Five Head Post Offices (HPOs) of West Bengal Postal Circle as detailed in the **Table 3.19** below.

Table 3.19: HPO wise details of irregularly drawn Pension

Sl. No.	Name of HPO	No.of Cases	Amount involved (₹)
1	Tamluk	64	3,28,65,186.00
2	Alipur	38	2,13,22,610.00
3	Baruipur	8	32,05,230.00
4	Ranaghat	8	25,22,087.00
5	Barasat	4	3,28,876.00
	Total	**122**	**6,02,43,989.00**

In reply, the Postmaster, Barasat HPO intimated (November 2021) that no contact could be made with the pensioners from whom life certificate had been wanting. Replies from Tamluk, Alipore, Baruipur and Ranaghat HPOs on regularization/ recoveries of irregular credit was awaited. The matter was further referred to the Ministry (January 2022) but their reply was not received.

The lapses on part of the Postal authorities in not observing the mandated verification of continuity of life annually in the month of November before crediting the pension to the respective accounts in the subsequent months, had resulted not only in irregular credit of pension of ₹6.02 crore to the pensioners accounts, but also unjustified outflow and blockade of Government money in pensioners' accounts for years together. Further, Postal Accounts Offices concerned were not vigilant regarding the compliance to the Rules which state that Life Certificates be attached to the concerned schedules by the Post Offices (Rule 137(15) of FHB Vol.II). DoP had also not ensured provision or feature in the Finacle Software system to bar/ check crediting of pension to accounts where the pensioners had not submitted life certificates.

It is recommended that

- ***DOP may introduce requisite control in the Finacle Software to stop automatic crediting of pension in cases where life certificates are not produced by the pensioner in the stipulated time frame.***
- ***Postal Accounts Offices may introduce sufficient checks in their softwares and systems to restrict credit of pensions to pensioners accounts without submission of Life Certificates etc.***
- ***DoP may undertake a review of similar cases in all the Circles and carry out rectification process in all such cases, including fixing of responsibility on Postal Circles for the irregular pension credited.***

3.5 Misappropriation of public money in Department of Posts

There was mis-appropriation of public money amounting to ₹95.62 crore in Post Offices spread over fourteen Postal Circles, due to failure of the Head Post Offices under DoP in implementing internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes

The Post Office Savings Bank is the oldest and by far the largest banking system in the country, serving the investment needs of both urban and rural clientele. DoP offers these services on agency basis for the Ministry of Finance, Government of India. Several products[27] on offer serve various investment requirements of the citizens, through the field formations of DoP for the convenience of the public.

Post Office Saving Bank Manuals issued by Department of Posts (DoP) prescribes the internal checks and clearly defines the responsibilities for prevention of frauds and fraudulent activities in Saving Bank Operations for various levels of staff in Sub Post Offices, S.O. Group and Saving Bank Control Organization (SBCO)[28] in Head Post Offices, Divisional, Regional and Circle Offices.

DoP has also issued directions[29] to the Postal Circles through a series of internal orders from time to time encompassing the preventive checks/actions required to be done by the field formations to avert fraudulent activities by its own staff. For better control and monitoring over POSB operations, S.B Order No.2/2008 was also issued.

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[27] POSB schemes like Savings Bank (SB), Recurring Deposits (RD), Time Deposits (TD), National Savings Certificates (NSC), Kisan Vikas Patras (KVP), Public Provident Fund (PPF), Monthly Income Account Scheme (MIS), SukanyaSamriddhiAccouns (SSA), and Senior Citizens Savings Scheme (SCSS), etc.

[28] The Savings Bank Control Organisation (SBCO) has been set up in each Head Post Office/ General Post Office to maintain checks over POSB Schemes and carry out day-to-day checks.

[29] i) No.110-13/2004-SB (Vol-II) (SB Order No. 9/2007) dated 22-06-2007; ii) No. 113-11/2003-SB (SB Order No.11/2012) dated 06-09-2012; and iii. F. No. 116-09/2007-SB (SB Order No. 2/2008) dated 04-02-2008

To safeguard the public money and better customer experience, DoP decided to computerise the banking operations through one central platform under IT Modernisation Project 2012. Accordingly, DoP started implementation of Core Banking Solution (CBS) from December 2013 to enable customers to operate their accounts to achieve "Anywhere, Anytime Banking" by replacing the existing banking platform of "Sanchay Post[30]" software in Post Offices.

In order to check the authenticity of the Sanchay Post data migrated into Core Banking Solution (CBS), DoP issued instructions (March 2016) to all the Circles, for verification of Sanchay Post Data before and after migration to CBS , to be conducted in all the post offices. SBCO were also instructed therein, to check all the transactions in CBS on day-to-day basis, for immediate action upon serious discrepancies, found, if any. Further, a series of orders[31]/ instructions/ guidelines were issued for ensuring necessary action for prevention of frauds in CBS environment. Finally, DoP instructed (March 2018) all the Head of Postal Circles to complete the verification work by end of April 2018.

Several complaints are received relating to misappropriations/ irregularities in investment schemes leading to un-authorised withdrawal of funds by postal staff. Audit conducted a detailed scrutiny of cases relating to fraudulent activities and misappropriation of funds relating to the period between November 2002 to September 2021 (August 2018 to December 2021). It was seen that that the S.O. Branch as well as SBCO in Head Post Offices failed to carry out the prescribed checks relating to the POSB Operations and coupled with delays in timely validation of data migrated from Sanchay Post to CBS, there was misappropriation of public money of at least ₹95.62 crore in various test checked Post Offices of 14 Circles[32]. In some cases, inspecting authorities of the Department also failed to detect the fraud/ misappropriations even after a lapse of more than five years and frauds came into light only after customer complaints.

Audit further analysed the reasons/ modus operandi of the above fraud/ misappropriation cases which revealed the following.

i) Fraudulent withdrawals of ₹62.05 crore were made by the Postal Staff in five Circles[33] from the closed accounts showing them as live accounts with fake balances and then re-closed. The modus operandi was followed during pre/ post Migration of Accounts from Sanchay Post to CBS.
ii) Manipulation in database by opening fake accounts and making fake entries of deposits into these accounts and subsequently withdrawal of money of ₹15.98 crore from these accounts, as seen in four Circles[34].

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30 'Sanchay Post, an IT System, was introduced in 2003 to handle schemes relating to Savings Bank, Recurring Deposits, Time Deposits, National Savings Certificates, Public Provident Fund Accounts and Monthly Income Scheme and Senior Citizen Savings Scheme (SCSS).

31 i. No.25-11/2016-SB-FS-CBS (SB Order No.5/16) dated 21-06-2016; ii. F. No.116-15/2013-SB (P1-SBCO) dated 04-08-2016; iii. No. 25-11/2016-FS-CBS dated 27-07-2016 and even No. dated 10-11-2016; iv. F. No. 113-01/2017-SB (SB Order No.03/2018) dated 12-03-2018

32 Andhra Pradesh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Kerala, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal

33 West Bengal, Haryana, Andhra Pradesh, Gujarat, Maharashtra

34 Punjab, Tamilnadu, Odisha, Andhra Pradesh

iii) Cash deposits of ₹9.16 crore from the customers were entered by the Postal staff in the Customers Pass Books only but not credited to their respective accounts in the Post Offices and subsequently money was withdrawn by the staff in eight Circles[35].

iv) Fraudulent withdrawals of ₹4.08 crore were made from the customer's saving accounts with fake signature /thumb impression facilitated by the postal staff in four Circles[36].

v) Un-authorised use of User Id and passwords by other postal staff or outsiders led to the fraudulent withdrawal of ₹ 3 crore in four Circles[37]

vi) Postal staff in connivance with the outsiders opened various accounts, made fake deposits of ₹1.35 crore which were withdrawn subsequently in two Circles[38].

Out of above frauds/ misappropriation of ₹95.62 crore, though DoP recovered ₹14.39 crore (inclusive penalty/ interest of ₹40.85 lakh) from the concerned persons involved, an amount of ₹81.64 crore was due to be recovered as detailed in the **Annexure-3.5**.

It is evident from the above that the DoP staff and supervisory authorities did not carry out the prescribed internal checks effectively and there were monitoring failures.

On this being pointed out, the Postal authorities in West Bengal, Haryana, Trivandrum Gujarat and Andhra Pradesh Postal Circles stated that the necessary guidelines have been issued for settlement of the issues and also to get the case investigated by Enforcement Directorate and Central Bureau of Investigation. The Postal authorities in Punjab, Odisha, Rajasthan and Tamil Naidu Postal Circles stated that actions against offenders would be taken or was under process. The replies from Telangana, Delhi, J&K, Uttar Pradesh and Maharashtra Postal Circles were still awaited. The matter was further referred to the Ministry (February 2022) and their reply is awaited.

Though the Department stated to have taken the disciplinary action against the delinquent officials and recovered the losses partially, the fact remains that the frauds were committed due to lapses in carrying out the prescribed checks.

The above-cited fraud/ misappropriation cases warrant that DoP takes stringent measures to avoid recurrence of the same in view of the large faith placed by the Public in the Postal Saving Schemes.

In the above context, it is recommended that

❖ ***To safeguard the public money invested with Government from fraudulent activities, DoP may ensure that the prescribed internal checks and internal audit is implemented and monitored effectively in letter and spirit at various hierarchical levels.***

❖ ***DoP may ensure that matured accounts/ deposits/ schemes etc. are monitored electronically through the existing softwares if necessary by suitable changes, so that DoP may ensure that the money has been disbursed to the rightful claimants.***

❖ ***DoP may ensure that all the POSB transactions are intimated electronically (SMS/ e-Mail etc.) to alert the account holders on irregular/ un-authorised transactions, if any.***

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35 Kerala, Maharashtra, Delhi, Tamilnadu, Odisha, Telangana, Andhra Pradesh, Rajasthan
36 West Bengal, Maharashtra, Tamilnadu, Rajasthan
37 Jammu & Kashmir, Kerala, West Bengal, Haryana
38 Uttar Pradesh and Odisha

- ***Department should prevent any type of manual entries in POSB Transactions and ensure only system generated computerised entries are made. A display board should be placed at the prominent visible place in the local language guiding the customers to this effect that their passbook entries should be in electronic mode.***
- ***DoP may ensure effective Password Policy in practice, as a part of IT Security Policy to prevent any un-authorised usage/login by staff.***
- ***DoP may ensure data validation to the new systems coupled with, KYC verification of account holders/beneficiaries to prevent misappropriations in postal savings accounts.***
- ***DoP may initiate stringent action under the Rules to fix responsibility and accountability on its officers and staff responsible for the irregularities that have taken place.***

Chapter IV
Ministry of Electronics and Information Technology

4.1 Setting up of new/ upgraded Centres by National Institute of Electronics and Information Technology (NIELIT) in North Eastern Region

Ministry of Electronics and Information Technology (MeitY) approved (May 2012) the IECT project for providing centres with excellent infrastructure with residential facility for imparting Information and Communication Technology related education for the benefit of students in NER. NIELIT was the implementing agency and the project was to be completed in five years. The actual expenditure incurred on the project was ₹206.08 crore (July 2020). However, the project could not achieve the stated objectives despite hiring of Project Management Consultants who were paid agency charges. It was seen that out of 18 Centres to be newly established or upgraded, six projects were dropped and six projects were severely delayed for reasons such as land not provided/ encumbrance free land not provided by the State Governments, faulty project management etc. There were inadequacies in faculty development scheme, lack of industry interface, poor employability of NIELIT students and thus the Project could not achieve the stated objectives of Socio-economic development of the North Eastern Region (NER). The Project Review and Steering Group (PRSG) did not monitor the Project effectively.

The expenditure incurred of ₹27.58 crore was not in keeping the project objectives of setting up of new/extension Centres and out of it expenditure of ₹3.95 crore was rendered wasteful on dropped Projects. There were irregularities in financial management of the projects whereby the project Management Consultants were allowed to retain advances given of ₹10.71 crore including ₹5.63 crore on abandoned Projects, resulting in loss of interest of ₹7.18 crore.

4.1.1 Introduction to the Project objectives and activities

National Institute of Electronics and Information Technology (NIELIT), an autonomous Scientific Society under the administrative control of Ministry of Electronics and Information Technology (MeitY), Government of India (GoI) was set up in 1994 to carry out Human Resource Development (HRD) and related activities in the area of Information, Electronics & Communication Technology (IECT) as the HRD arm of MeitY. The Society is managed and administered by a Governing Council consisting of eminent academicians and professionals from IT Industries with its Headquarters at New Delhi. It has a Pan-India presence in 43 locations including eight locations in North Eastern Region (NER), i.e., in the States of Tripura (Agartala), Mizoram (Aizwal), Sikkim (Gangtok), Manipur (Imphal), Arunachal Pradesh (Itanagar), Nagaland (Kohima), Meghalaya (Shillong) and Assam (Guwahati).

With a vision to provide excellent infrastructure with residential facility for the benefits of students from the far-flung areas of NER, GoI approved (May 2012) the project for setting up of permanent campus of NIELIT centres in NER to carry out HRD and related activities in the area of IECT comprising of the following activities.

a. **Upgradation of six existing NIELIT Centres** at Guwahati (Assam), Imphal (Manipur), Shillong (Meghalaya), Itanagar (Arunachal Pradesh), Gangtok (Sikkim) and Aizwal (Mizoram).

b. **Upgradation of two existing NIELIT Extension Centres** at Tezpur (Assam) and Chcuhuyimlang (Nagaland).

c. **Setting up ten new Extension Centres** at Silchar, Kokrajhar, Dibrugarh and Jorhat (four in Assam), Churachandpur and Senapati (two in Manipur), Passighat and Tezu (two in Arunachal Pradesh), Lunglei (one in Mizoram) and Tura (one in Meghalaya).

Each upgraded[39]/ set-up centre would have its own campus with an integrated facility of state-of-arts labs, classrooms to cater to various training needs right from certificate level to undergraduate/ post graduate courses with requisite infrastructure of hostels and residential facilities for students and faculties. In case of new centres, respective State Governments would allocate free of cost built up temporary area till the time permanent campus is constructed. The project would be completed within five years of its approval and was expected to attract entrepreneurs/ industrial houses to set-up industries in the region leading to its overall socio-economic development.

NIELIT Centres would impart training courses in both formal and non-formal sector based on the need of industry and launch short term courses to improve the employability of graduates and also enhance the technical and professional abilities of the working professionals in line with the emerging needs. It was added that the programs offered would result in professionally qualified industry ready personnel and entrepreneurs in the field of Computer Science and IT.

The Project aimed to benefit the student community/ youth, faculty members, entrepreneurs, local industry, government employees, educated employed and various deprived sections of the society of NER in order to enhance their capacity/ education in IECT sector. It was anticipated that the project would lead to an increase in the training capacity of NIELIT from 3,080 per year to 14,400 per year from the fifth year onwards.

NIELIT Headquarters at New Delhi selected three Central Public Sector Undertakings (CPSUs) namely M/s National Projects Construction Corporation Limited (NPCCL)[40], M/s Hindustan Steelworks Construction Corporation Limited (HSCCL)[41] and M/s National Building Construction Corporation Limited (NBCCL)[42] through open tender and appointed them as Project Management Consultants (PMCs) in May 2013 for construction and development of permanent campus of NIELIT Centres and Extension Centres at 18 locations in NER. The PMCs were responsible to get work executed on behalf of the NIELIT within the sanctioned cost inclusive of agency charges for project management, planning, designing, consultancy services etc. They were fully responsible for the timely completion of the project

[39] Upgradation in terms of upgradation of the premises and the courses to align with IECT.
[40] For Imphal, Churachandpur, Senapati, Dibrugarh, Silchar, Jorhat, Kokrajhar, Tura, Tezu, Passighat and Chuchuyimlang centres
[41] For Aizwal, Lungei, Guwahati, Tezpur and Shillong centres
[42] For Gangtok and Itanagar centres

and were to be paid agency charges at the rate of 5.24 -10 *per cent* of the deposit work. They were paid ₹2.56 crore as PMC agency commission till July 2020.

4.1.1.1 Project Budget and Timelines

MeitY conveyed administrative approval of ₹388.68 crore to NIELIT (May 2012) for implementation of IECT project for NER to be completed in five years. The proposed commencement and completion dates of the Project were 26 July 2012 (date of 1st release of GIA) and 25 July 2017 respectively. This budget was to be utilised for the Capital Expenditure (on civil works, utilities, equipment) and recurring expenditure (Salary, internet connectivity, rent for premises of the centres, other administrative expenses like electricity/ DG/ travelling, trainer's training, corporate overhead of controlling centres, other establishment expenses etc.) Ministry revised the allotted budget to ₹366.78 crore due to downward revision of the scope of work and extended the project up to March 2018. Due to closure of construction activities in six locations (Guwahati, Silchar, Tura, Shillong, Itanagar and Tezu), MeitY reduced the budget outlay of the Project to ₹287 crore (September 2019) with extension of the Project duration up to 31 March 2020, which was further extended up to March 2021. The actual expenditure incurred on the Project till July 2020 was ₹206.08 crore.

4.1.2 Audit Findings

4.1.2.1 Status of IECT projects in NER

For timely and uninterrupted execution of projects, it was the responsibility of NIELIT to hand over encumbrance free site to the executive agency as soon as land was allotted by the respective State Governments and after entering into an Agreement with the PMC for execution of the project. Hence, NIELIT had to obtain all necessary statutory clearances from concerned Ministries/ Departments like forest, wildlife and environmental clearance, Railways and National Highway authorities etc. as per their requirement at the approval stage of the project itself. Further as per the terms of the contract signed between NIELIT and the PMCs, time was the essence of contract. The PMCs were responsible for timely completion of the respective projects entrusted to them.

4.1.2.2 Observations regarding New Centres to be set up

As against ten new Centres to be set up as per the approved project, three projects were completed, four projects were incomplete/ delayed as of June/ July 2021 and three projects were dropped. The details are as per the following **Table 4.1**.

Table 4.1: Status of New Centres to be set up

Sl. No	Name of the Centre (State)	Date of commencement	Physical Completion up to July 2020 (%)	Status of Centre/ Extension centre up to July 2021	Date of completion / extension	Budgeted Outlay (₹ in crore)	Expenditure up to 07/2021 (₹ in crore)
1.	Senapati (Manipur)	22.08.2016	85	Extended	30.06.2021	21.70	17.22
2.	Lunglei (Mizoram)	30.05.2016	57	Extended	31.10.2021	12.40	10.23
3.	Dibrugarh (Assam)	17.10.2016	75	Extended	30.06.2021	17.84	11.49

4.	Passighat (Arunachal Pradesh)	30.04.2016	91	Extended	31.05.2021	12.79	11.13
5.	Churachandpur (Manipur)	20.09.2016	100	Completed	26.02.2020	19.86	19.85
6.	Jorhat (Assam)	10.03.2016	76	Completed	30.07.2021	20.67	17.62
7.	Kokrajhar (Assam)	27.04.2016	92	Completed	30.07.2021	17.66	16.61
8.	Silchar (Assam)			Dropped		5.06	5.02
9.	Tura (Meghalaya)			Dropped		0.99	1.84
10.	Tezu (Arunachal Pradesh)			Dropped		1.47	2.16

The details of dropped centre Projects are as under-

i. **Silchar Project:** The Government of Assam, allotted land which was encroached and disputed under court of law. Audit observed that NIELIT also did not form a site selection Committee, to survey and assess the suitability of the land and hence, the feasibility and economic viability of the allotted land was not examined before taking over possession of the land, leading to abandonment of the project (April 2019).

ii. **Tura Project:** It was abandoned by NIELIT due to high cost of tender. Clause 2.3 of the Agreement entered into by NIELIT with the PMC inter alia stated that work shall be executed on the basis of estimates prepared on State PWD SoR or CPWD SoR whichever is less. Audit observed that the PMC (NPCCL) prepared the detailed estimates along with drawings for ₹8.36 crore on the basis of Delhi Schedule of Rates 2016 instead of Meghalaya Schedule of Rate (SOR) 2015-16. The Delhi SoR were lower than State SoR by approximately 60 *per cent*. NIELIT approved these estimates without independent comparison of rates. When the PMC called for tender for the work, the rates of L1 bidder received were much higher at ₹11.31 crore which was 65 *per cent* higher than the estimated cost put to the tender. Though PMC justified the quote of the than L1 bidder, NIELIT did not approve it being exorbitantly higher than the sanctioned estimated cost and decided to drop the project.

Had NIELIT been vigilant in their examination of the preliminary and detailed estimates keeping in view the clauses of the Agreement, and taken the PMC to task for not preparing the estimates as required the project would not have been dropped (April 2019). There was nothing on record to indicate why the PMC was not asked to prepare revised project estimates as per latest applicable State SOR, to take the project ahead.

iii. **Tezu Project:** Construction of Tezu centre (Arunachal Pradesh) was dropped as per recommendations of 7th meeting of PRSG (25 April 2019) because of delayed allotment of land by the State Government of Arunachal Pradesh. Though State Government allotted five acres of land after the project was dropped, the project had not been taken up during the audit period.

Further, in respect of **Dibrugarh**, **Passighat**, **Senapati** and **Lunglei** extended centre projects, it was observed that the proposed site at Dibrugarh centre was very close to a river due to that there was frequent flooding. NIELIT made efforts with Government of Assam for construction of a boundary wall to protect the site from flooding which delayed the work and NIELIT further delayed approval of tendered cost by 37 months approximately. For the Passighat Centre, construction work was delayed by 41 months due to issues like encroachment of land and approach road resolution. Further, in respect of the Centres at Senapati and Lunglei, delay in approval of tendered cost by NIELIT delayed the completion of work by 36-37 months.

4.1.2.3 Observations regarding Centres for upgrdation

Six existing Centres and two Extension Centres were to be upgraded under the project. As against this, three centres were dropped, two were completed and three were delayed as of June/ July 2021. Details as per the **Table 4.2** given below.

Table 4.2: Status of Existing Centre/ Extension Centre to be upgraded

Sl. No.	Name of the Centre (State)	Date of commencement	Physical Completion up to July 2020 (%)	Status of Centre/ Extension centre up to July 2021	Date of completion/ extension	Budgeted Outlay (₹ in crore)	Expenditure up to 07/2021 (₹ in crore)
1.	Gangtok (Sikkim)	18.04.2017	58	Extended	31.12.2021	40.57	18.24
2.	Imphal (Manipur)	27.10.2015	100	Completed	26.02.2020	27.66	27.19
3.	Aizwal (Mizoram)	30.05.2016	100	Completed	23.01.2020	21.94	20.44
4.	Guwahati (Assam)			Dropped		4.09	5.98
5.	Shillong (Meghalaya)			Dropped		4.79	6.81
6.	Itanagar (Arunachal Pradesh)			Dropped		4.87	5.77
Existing extension centres to be upgraded							
7.	Tezpur (Assam)	12.05.2016	91	Extended	31.03.2021	14.69	14.00
8.	Chuchuyimlang(Nagaland)	10.03.2016	92	Extended	30.06.2021	15.25	12.47

The details of dropped projects are as under

i. **Guwahati Project:** It was abandoned by the PRSG in its 7th meeting (April 2019) due to non-receipt of environmental clearance and earth cutting permission from Government of Assam because the land was near eco-sensitive zone. The role of NIELIT and the PMC in getting these clearances is not available on record. It was seen that by then a sum of ₹5.98 crore was incurred on this Center up to 31 July 2020 out of which ₹1.92 crore was incurred on Civil & Utilities which became unfruitful due to dropping of project.

ii. **Shillong Project:** It was dropped due to non-receipt of 'no objection certificate' from the local authorities. Though NIELIT handed over the land allotted by the Government of Meghalaya to the PMC (February 2016) and PMC awarded the work to a Contractor in February 2017, the Contractor could not start the work because 'No Objection Certificate' (NOC) was not obtained from Local Mawpat Dorbar Authority of Shillong. The local authority wanted to sign a MoU with NIELIT Shillong to recruit their local people in the NIELIT Center. The said MoU was not approved readily at NIELIT Headquarters and a lot of time was spent to sort out the issue. Finally, the PRSG issued instruction (February/ April 2019) to foreclose the work. NIELIT as well as the PMC did not take up the issue in time with the local authority to sort out the concerns of the local authorities resulting in premature closure of the project, after incurring expenditure of ₹2.02 crore on Civil and Utilities which became wasteful due to dropping of the project.

iii. **Itanagar Project:** The project for Itanagar Centre was dropped for want of allotment of land by the Government of Arunachal Pradesh (25 April 2019).

Further, in respect of **Ganktok**, **Tezpur** and **Chuchuyimlang** extended centre projects, it was observed that as for Gangtok Center, there were administrative lapses on part of the PMC as contractor was not cooperating with them, thereby delaying the construction activity by 24 months. In respect of Tezpur Centre, construction work was delayed by 34 months due to issues like encroachment of land and approach road resolution. In respect of Chuchuyimlang Centre, construction work was delayed by 41 months.

As regards findings in 4.1.2.2 and 4.1.2.3 above, audit observed that NIELIT could not manage to obtain the necessary statutory clearances leading to dropping/delays in completion of the new Centres to be set up / upgraded. Further, there was no proper project control mechanism in place to monitor the progress of work. This is evident from the fact that seven projects were not fully completed even at the end of 8th year from its sanction which were otherwise envisaged for completion within five years. Against the stipulated period of twelve/ fifteen months to complete the construction work, there were delays in completion of the works ranging from 24 -41 months. While analyzing the reasons of delay, audit observed that slow progress of work by the PMCs coupled with lack of proper monitoring by NIELIT were the basic contributing factors for delay in completing the projects. In addition, management of NIELIT attributed the reasons of delays to heavy rainfall in the region, economic blockade, delay in approval of the tendered cost, handling of clear site, designs and drawings, delay in fire safety installations, construction of underground water tank, ongoing Covid 19 pandemic, etc.

NIELIT while justifying the reasons of abandoning the projects (September 2020/ February 2021), admitted the audit observations. Ministry replied (August 2021) that there were two major parts of the project- starting training activities from temporary premises and development of permanent campus and shifting the training activities from temporary premises to permanent campus. The training centre activities were initiated quite earlier prior or parallel to construction activities and operation of these Centres was shifted to newly constructed permanent campuses at all sites. Besides, training activities were going on in the existing locations of all the Centres from the start of the project. Regarding the expenditure of ₹27.58 crore incurred against six dropped Centres, it was stated that the expenditure was required to start training activities from temporary Centres. Expenditure like recurring expenses, procurement of equipment at respective locations was made and these Centres are still operational from temporary locations.

Ministry further replied that an appropriate clause of LD/ penalty already existed in the Agreement with PMC as a deterrent mechanism for delay. Construction activities had been initiated at NER Centres after completion of various pre-activities viz. allotment of suitable land, approval of building related plans etc. which were dependent on State Governments apart from different extraneous factors viz. local interferences, clearances from community/ village people etc.

The reply of the Ministry is not acceptable as there was evident lack of proper coordination and dialogue with the State Government/s and inadequate efforts on the part of NIELIT/

Ministry to pursue the projects timely at higher level, resulting in non-allotment/delayed allotment of land/ wanting statutory clearances and consequent dropping of the Projects. In Arunachal Pradesh, the Ministry could not succeed in getting land allotted for two out of three centres. The Meghalaya project was abandoned despite allotment of the land by the State Government due to inappropriate handling of the contracts. The required goal of the project to set up new Centres/ upgraded Centres with their added benefits, was therefore defeated. Further, all the factors of delays in work completion as mentioned by NIELIT were common to hilly region of North East States and were in the knowledge of NIELIT as well as Ministry. These factors were required to be factored into the timelines before awarding of contracts and adequately monitored thereafter.

Out of the total expenditure of ₹27.58 crore incurred on the dropped projects, an expenditure of ₹3.95 crore was incurred on Civil Works and Utilities which was rendered wasteful. Rest of the expenditure was incurred on running of centres from temporary or already existing structures, procurement of equipment etc. Since these projects did not take off, the expenditure of ₹3.95 crore was unfruitful and though expenditure of ₹23.63 crore was incurred on the temporary centres on equipments and recurring cost, it was not in keeping with the project objectives of setting up of new Centres for which the budgets were approved. NIELIT paid ₹2.65 crore to the PMCs as of July 2020 as agency commission for both dropped as well as completed/ delayed projects. Payment to them corresponding to the dropped/ delayed and incomplete projects was unfruitful to that extent.

As regards insertion of penalty/ LD clause in the Agreement, Ministry itself had extended the scheduled date of completion of each project due to reasons like floods, heavy rainfall, economic blockade and other natural causes, and did not impose any liquidated damages on the PMCs. As regards running of temporary training structures, main objective of IECT Project in North East Region was to build and upgrade NIELIT Academic centres at 18 locations in North East so that students of far-flung areas could be educated and acquainted with new courses in emerging technologies by training them in state of the art laboratories with sufficiently manned faculties. Mere running of the temporary training Centres in NER as replied by the NIELIT/Ministry was not the principal objective of the project. Apart from academic targets set as elucidated in GoI's approval as well as in DPR, physical target of completion was also set which was not achieved in 13 projects even after eight years from the date of approval of the project.

4.1.2.4 Scheme Implementation

4.1.2.4(i) Inadequacy in Faculty Development Scheme

As envisaged, all NIELIT Centres and Extension Centres were to be interconnected with high bandwidth optical fibre cable network through BSNL launched National Knowledge Network (NKN) to enable creation, storage and dissemination of quality lectures in a centralized network mode. Creation of virtual classroom was also emphasized to mobilise the faculties.

Audit observed the following-

- NKN connectivity was not established in all the centres.

❖ During the period under audit, none of the NIELIT centres in NER had adopted a blended learning framework from existing learning framework for offering any course to share the resources of other centres on value added basis and for the students from beyond the boundary of the state.

NIELIT accepted (September 2020/ February 2021) the audit observation pertaining to the internet connectivity. It further stated that courses were conducted Under Cyber Forensic Data Centre Project, and shared in Nagaland, Mizoram and Manipur through virtual mode. It was in the process of development of Future Skill Prime Lab Infrastructure facilities on emerging technologies to offer training programme in blended mode. Staff requirements were fulfilled with existing permanent staff as well as staff engaged on contract basis who were sent on need basis to different faculty development programmes to acquire their knowledge. Ministry reiterated (August 2021) the reply given by NIELIT Headquarters.

Reply of NIELIT/ Ministry is not acceptable as though six Centres, namely; Guwahati, Tezpur, Shillong, Itanagar, Imphal and Gangtok were connected with NKN connectivity subsequently, remaining six Centres were yet to be connected with high bandwidth (100 mbps and above) and were working through private networks. Virtual Classrooms as well as blended share of learning courses was also partially implemented for the courses in emerging technologies. Further, Cyber Forensic Data Centre Project, as stated by the NIELIT, was not under IECT Project as approved by MeitY.

4.1.2.4(ii) Lack of Industry interface

This is desirable for any Educational Institute to tie up with industries to foster faculty development and create desired curriculum that will enhance employability of students passed out from these institutes.

Audit observed that NIELIT Centres in NER had no Industry interface with organised industrial associations like NASSCOM, MAIT etc. and therefore were not adequately oriented towards industry requirements. Though a committee in NIELIT Headquarters made recommendation to all NER NIELIT Centres to explore different avenues for revenue generation areas where "Tie-up with industry for formulating industry-oriented courses" was one of such areas but this step was taken up only in January 2020.

In reply, NIELIT/ Ministry stated (February/August 2021) that efforts were made for interfacing with local industries, colleges, institutes and other stake holders by organizing various seminars/ symposia.

As mentioned above efforts made by NIELIT to tie up with Industries, Colleges and Universities were done belatedly, eight years after the project was taken up and its effectiveness is yet to be seen.

4.1.2.4(iii) Poor employability of NIELIT students

While according approval of IECT Project for NER, it was envisioned that training programmes would result in professionally qualified industry ready personnel and entrepreneurs in the field of Computer Science and IT. The qualifiers would not only fetch employment in the industry but also attract entrepreneurs/industrial houses to set up industries in the region leading to overall economic development of the region. In order to facilitate and provide an impetus to NIELIT qualifiers for employability, a dedicated placement portal was essential. Each Centre needs placement cell to be set up for placement guidance to be given to students of NIELIT.

Audit observed that average employability of the students trained at 13 NIELIT centres was miniscule ranging from 0.14 *per cent* to 27.07 *per cent* since 2012-13. No dedicated placement portal to maintain employability records of students was in existence. Reasons of poor opportunity for employment of students were less number of IT Industries in NER, non-establishment of guidance cell for campus placement of students in NER (Guwahati, Shillong, Gangtok and Itanagar), non-prioritizing and formulating high end courses for emergent technologies, lack of Industry interface of the Centres etc.

In reply, NIELIT Headquarters while accepting audit observations stated (February 2021) that development of dedicated placement portal along-with provisioning of employability records of NIELIT students is being developed. Efforts were already being made by NIELIT for compliance of observations as pointed out by Audit.

Ministry stated (August 2021) that placement guidance was essentially given to students of NIELIT by respective Centres. Some NIELIT Centres in NER have established career guidance as a formal setup. In order to provide an impetus to NIELIT certified candidates, efforts were being made to facilitate and empower these candidates by way of a dedicated placement portal. It was also stated that after joining a job, chances of reporting it back by the students at NIELIT was less likely and that maintaining of employability records were not contemplated earlier.

However, the fact remains that despite the efforts of the organisation, employability percentage of students at NER was not encouraging and needed to improve, with all around efforts.

4.1.2.5 Financial Management: Loss of interest on account of interest free mobilization advance and additional advance to the Project Management Consultants

As per Para 32.5 under Section 32 of Central Public Works Department (CPWD) Works Manual 2012, the mobilization advances up to a maximum of 10 *per cent* of tendered amount at 10 *per cent* simple rate of interest can be sanctioned to the contractors on specific request against submission of Bank Guarantee (BG) from a schedule bank. The advance should be released in not less than two instalments except in special circumstances and the recovery should be made after 10 *per cent* of work is completed and the entire amount together with interest shall be recovered by the time 80 *per cent* work is completed.

Audit scrutiny of the Agreements signed between NIELIT and PMCs revealed that NIELIT granted interest free mobilization advance of ₹17.06 crore in respect of 16 Centres to the respective PMCs, to meet the cost incurred for preliminary work like preparation of site plan lay out, soil investigation, preparation of design and drawing, detailed estimates, tender processing activities, finalisation of tender and award of work to contractor etc. Out of this advance, only ₹7.05 crore was refunded/ adjusted and the remaining amount of ₹10.01 crore (approximately 59 *per cent* of the total advance given) was retained by the PMCs as of 31 March 2020.

By allowing unauthorised retention of Government funds for unspecified period by the PMCs, NIELIT compromised the financial interest of the Department and provided undue benefits to the PMCs. Out of ₹17.06 crore, amount of ₹5.63 crore[43] was advance given to the PMCs for the projects that were abandoned. This retention of funds had also resulted in a loss of interest[44] of ₹7.18 crore as of 31 March 2020 to NIELIT **(Annexure-4.1)**.

Audit further observed that NIELIT released an additional interest free advance of ₹7.26 crore in respect of seven centres to two PMCs (NPCC and NBCC) as per Sub-Clause 4.9 of the Agreement during September 2015 to July 2018, adjusting ₹6.56 crore out of it from the Running Account Bills as of 31 March 2020 without obtaining utilisation certificate from the PMCs. Further, while the PMCs provided for grant of mobilisation advance at the rate of interest of 11 *per cent* per annum in the tender documents for appointment of contractors for execution of works, NIELIT did not follow similar practice to safeguard its own financial interests. This had further resulted in undue benefits to the PMCs and loss of interest of ₹1.60 crore as of 31 March 2020 **(Annexure-4.2)**. Retention of Government money for years together without its utilization for the intended purpose specially when some projects were dropped/ delayed, was in the nature of serious financial irregularity.

NIELIT, after initially arguing that interest provisions were not applicable here, however, at the instance of audit, decided to adjust additional earnings accrued by PMCs in the final settlement of bills. The Ministry also assured that provision of interest-bearing advance would be included in Agreements with PMCs in future.

4.1.2.6 Monitoring

While approving the IECT Projects for NER, the Cabinet approved following mechanism for project implementation and monitoring.

i. A Steering Committee under the Chairmanship of Secretary of MeitY (erstwhile DIT) to provide overall guidance, carry out a mid-term review in the 3rd year of the project, recommend suitable amendment/ revision in the scope of the project and suggest suitable implementation strategies.

ii. A Project Review and Steering Group (PRSG) would be constituted under the Chairmanship of Joint Secretary/ Additional Secretary, MeitY to regularly monitor and steer the implementation of the project by adopting a parametric approach on the basis of (i) revenue generation, (ii) capacity utilization, (iii) Pass/ fail ratio, (iv) employment/ placement along with numerical values for these criteria against which the project performance can be measured.

iii. NIELIT would also create a mechanism for supporting MeitY for implementation and monitoring to provide necessary inputs to the PRSG for timely implementation of the project; and to develop a standard web enabled Management Information System (MIS) to ensure transparency and accountability.

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43 ₹1.69 crore to NPCCL and ₹3.94 crore to HSCL
44 Calculated at the rate of 10 *per cent* per annum

iv. Besides above, A Management Information System (MIS) portal was to be created to ensure transparency and accountability in respect of data inputs received from various NIELIT Centres at NIELIT Headquarters. Further, to monitor and review the construction work through periodical site visits, NIELIT Headquarters was to form a Building Projects Monitoring Committee (BPMC) or Uniform Building Committee (UBC) in each NIELIT Centre in NER in April 2014

It was seen that nine PRSG meetings were held during the period from November 2013 to August 2020. Audit scrutiny of the issues deliberated in the PRSG meetings revealed following deficiencies in monitoring and evolution of the IECT Project of NIELIT-

i. Though the PRSG meetings discussed delays in land acquisition, they failed to give clear cut directions to the NIELIT to deal with the issues on land acquisition arising between State Government and NIELIT. The Group did not analyse and point out the reasons for delays in construction activities in the meetings held. Thus, PRSG failed to give specific directions to the PMC especially with reference to non-allotment of land by the State Governments and for statutory clearances and other problems encountered for the projects to take off. The delays in execution of the Project to ensure smooth progress of work were neither addressed.

ii. The MIS Portal failed to facilitate NIELIT Centres in NER to submit updated information to PMC for the review and necessary inputs to the PRSG.

iii. Although a BPMC or UBC was formed in each NIELIT Centre in NER in April 2014, the Centres established a Committee after a lapse of two years during 2016-17. The Committee majorly involved in settling claims of PMC most of the time without conducting site inspections and pointing out deficiencies in construction work. NIELIT Headquarters dissolved the Building Committee in July 2018 and set up a restructured Committee where site inspection at construction sites by the committee was not mandatory.

iv. No employability database was maintained at NIELIT Headquarters as well as NIELIT Centres so as to monitor the employability of passed out NIELIT students. A portal on the issue at Headquarters level was under construction.

v. Performance of the project based on performance parameters, namely, revenue generation, capacity utilization, pass/ fail ratio and employment/ placement were not analyzed in any of the PRSG meetings. In some of the meetings, revenue generation and capacity utilizations aspects were mentioned as general remark.

NIELIT replied (February 2021) that the instant project was being reviewed by PRSG in all directions. A BPMC was formed to process payments with recommendation of Committee after verifying the quantum of progress and receipt of demand of funds from PMC well in time based on Utilization Certificates. The Project was being monitored and reviewed through Monthly Progress Reports including construction progress prepared based upon inputs from each site, submitted to MeitY/ other Authorities as and when required/ demanded. The Ministry also stated (August 2021) that regular monitoring of the project had been ensured through appointment of Chief Investigator and one Resource person of NE-PMU.

Reply of the Ministry/ NIELIT is not tenable as the audit findings on project implementation and evaluation indicate that the frequency and the issues deliberated in the PRSG meetings were not commensurate with the magnitude and requirements of the project and therefore proved to be ineffective.

4.1.3 Conclusion

For the educational growth and development of the students of the North Eastern Region, MeitY accorded approval for implementation of the IECT Project in May 2012, to be completed in five years, by NIELIT as nodal implementing agency. Projects were to be implemented by appointing PMCs who were responsible for preparing the project timelines, awarding the contracts and monitoring their execution. They were paid ₹2.65 crore as agency commission till July 2020 as percentage of awarded cost. However the audit revealed that the project was not implemented in the original/ revised timelines and was extended upto December 2021. Reasons found were non-cooperation by the States in terms of non-allotment of land or encumbrance free land not allotted, inadequate handling by NIELIT as well as the PMCs of the problems encountered during works execution and absence of dialogue at adequate administrative level with the respective State Governments. As a result, against ten new Centres to be set up, three projects(in Assam, Meghalaya and Arunachal Pradesh) were dropped, four were incomplete/ delayed (in Manipur, Mizoram, Assam and Arunachal Pradesh) and three (one in Manipur and two in Assam) were completed. Likewise in case of six existing Centres and two Extension Centres to be upgraded under the project, three centres (one each in Assam, Meghalaya and Arunachal Pradesh) were dropped, two (in Manipur and Mizoram) were completed and three (in Sikkim, Assam and Nagaland) were delayed as of June/ July 2021. In case of seven projects, despite extension of time, the projects were not completed as on December 2021. The projects once dropped were not taken up till March 2021 after resolving the respective reasons with the State Governments. The expenditure incurred of ₹27.58 crore was not in keeping the project objectives of setting up of new/ extension Centres and out of it expenditure of ₹3.95 crore was rendered wasteful on dropped/ abandoned projects.

There were irregularities in the financial management of the project also. NIELIT extended undue financial benefits to the PMCs by allowing them unauthorised retention of funds (₹10.71 crore) and irregular interest free advances were given in cases where the projects were abandoned or severely delayed. NIELIT also suffered loss of interest of ₹8.78 crore on interest free advances given to PMCs.

None of the NIELIT centres in NER had adopted a blended learning framework from existing learning framework as envisaged in the scheme for offering any course to share the resources of other Centres on value added basis and for the students from beyond the boundary of the State. Also there was persistent shortage of regular staff in both technical and non-technical categories in all the proposed centres. Even after eight years of the commencement of the project, number of students actually trained by all the NIELIT Centres was less than the targeted number of students and the employment figures are also not very encouraging. The percentage of students employed on an average during last eight years was as low as 3.57 *per cent* of the number of students trained. Further, non-establishment of guidance cell for campus placement of students in NER (Guwahati, Shillong, Gangtok and Itanagar), non-prioritizing and formulating high end courses for emergent technologies, lack of Industry interface of the Centres etc. added to the issue.

As regards monitoring of the project, although the PRSG meetings discussed bottlenecks of IECT Project from land acquisition issues to construction work yet they failed to analyse the root cause affecting the progress of the project adversely and to give clear directions to the Project Manager/s to overcome the problem for smooth progress of work. NIELIT had not established a web enabled management information system which was proposed in the Cabinet Note to ensure transparency and accountability in the scheme.

Thus the audit of NER project of NIELIT revealed that, though more than 70 *per cent* of sanctioned expenditure had been incurred on the project, the scheme could not largely achieve its stated objectives. As a result overall aim of the Government to fund the project for socio-economic development of the Region by equipping the young population with enhanced skills for the job market could also not be achieved in time.

4.1.4 Recommendations

Audit recommends that NIELIT may

- ***Approve projects after adequate planning and discussions with all stake holders.***
- ***Complete the incomplete and delayed projects expeditiously and fix accountability on PMCs/ contractors for dropped/delayed projects.***
- ***Ensure appointment of regular staff for both technical and non-technical categories in the functional centres***
- ***Revive the dropped projects by establishing dialogue with the State Governments at the highest level.***
- ***Suitable clauses in the contracts entered into with the PMCs may be included to safeguard the financial interests of the Government of India.***
- ***Consider Faculty Development Programme (FDP) in blended learning mode with a Training Calendar so that the smaller Centres also may plan well in advance and spare the faculties to attend the training without their having to leave station continuously for a long time.***
- ***Strengthen the project monitoring control both at Headquarters as well as unit level like by holding focused PRSG meetings, by revamping the Uniform Building Committee, regular site visits etc.***

4.2 Avoidable payment of interest and penalty charges for belated remittance of EPF contributions by National Institute of Electronics and Information Technology

National Institute of Electronics and Information Technology (NIELIT) failed to ensure timely remittance of the monthly Employees Provident Fund (EPF) contributions for its employees and manpower engaged by them in different projects/ Schemes. As a result, NIELIT had to make avoidable payment of ₹71.71 Lakh to the concerned Employee Provident Fund Organization on account of interest and penalty charges for belated remittance of EPF contributions.

National Institute of Electronics and Information Technology (NIELIT), an autonomous scientific society under the administrative control of Ministry of Electronics and Information

Technology (MeitY), was setup in 1994 to carry out Human Resource Development and related activities in the areas of Information, Electronics and Communications Technology (IECT). It has forty-three (43) centres located across India. It accredits institutes/ organizations for the conduct of courses in the Non-Formal Sector and also rolls out IT literacy programmes for many State Governments for their employees and for the masses. It undertakes various projects under capacity building in IECT with the objective of creating human resources at various levels, which includes employment and self-employment linked quality and cost-effective training programmes. NIELIT centres pay salary to the faculty/ manpower engaged by them either for their own establishments or for any project/ scheme of State Governments/ Organizations, after deducting the EPF contribution due.

As per Para 38 of the Employees Provident Fund Scheme 1952 read with Para 3 of Employees Pension Scheme 1995, employer of any establishment is required to remit the Employees' Provident Fund (EPF) contributions along with administrative charges within 15 days of the closure of every month to the concerned Employee Provident Fund Organization (EPFO). Further, under section 14B of the Act, where an employer defaults in payment of the contributions or any charges to the Fund, the Regional EPF Commissioner is required to recover by way of penalty such damages, not exceeding the amount of arrears and damages at rates specified in Para 32A of the EPF Scheme 1952. Para 7Q of EPF and Miscellaneous Provisions Act 1952 stipulates that the employer shall be liable to pay simple interest at the rate of 12 *per cent* per annum or at such higher rate as may be specified in the Scheme on any amount due under this Act from the date on which the amount has become so due till the date of its actual payment.

In case of NIELIT Headquarters Delhi and NIELIT Gorakhpur, NIELIT is merged society consisting of two RCC (Regional Computer Centre), seven CEDTI (Centre for Electronics Design and Technology) and the DOEACC situated across the country. All societies were not covered under the EPF scheme. In order to maintain uniformity among the societies, the competent authority had approved implementation of uniform EPF scheme for all employees of NIELIT with effect from 01 January 2003 in the Month of March 2013. Immediately after approval of Governing council, NIELIT Headquarters started recovery of EPF contribution from its employees from their salary of the month April 2013. Audit reviewed the related records of NIELIT centres from the year 2011 to 2020 during the period February 2020 to June 2021. It was observed that NIELIT Chandigarh deducted monthly contributions towards EPF from the salaries of all types of employees (contractual and regular), but the employer's and employee's share of contribution was remitted belatedly to the EPF Office with delays ranging from 28 to 1,825 days. The EPF contributions were deposited with delays up to 731 days and 1,002 days by NIELIT Headquarters and NIELIT Gorakhpur respectively as per details in **Table 4.3** below.

Table 4.3: Details of delays in EPF remittances

(₹ in Lakh)

NIELIT Centre	Employees engaged under the Scheme/ Project	Period	Days of delay submission	Amount of penalty/ interest paid
Chandigarh	To provide technical manpower/ faculties to impart IT education and training to the student of 9th to 12th standard of Himachal Pradesh Govt. Schools.	2010-11 to 2016-17	28 - 740	18.72
	To facilitate IT education by providing qualified technical faculties under CABA-MDTP (Computer Applications, Business Accounting and Multilingual DTP) scheme of NCPUL (National Council for Promotion of Urdu Language).	2014-15 to 2019-20	28 - 760	16.79
	To provide technical manpower support to various departments to Punjab Govt and Chandigarh UT like PSTS (Punjab State Transport Society), PEPS (Punjab e-Panchayat Society), Chandigarh Transport.	2014-15 to 2019-20	28 – 1,126	7.78
	Regular Employees	2013-14 to 2019-20	28 – 1,825	2.84
	DREAM Project of NCPUL	2014-15 to 2017-18	28 - 212	0.99
Headquarters Delhi	Regular Employees	2013-14 to 2017-18	28 - 731	22.90
Gorakhpur	Regular Employees	2012-13 to 2015-16	1,002	1.69
Total				**71.71**

Thus due to failure of NIELIT authority to remit the EPF contributions for the employees amounting to ₹18.88 crore (₹9.44 crore each of employer and the employee) on various occasions, in time to the concerned EPFOs, they imposed damage penalty and interest of ₹71.71 lakh on NIELIT Headquarters and NIELIT centres Chandigarh and Gorakhpur under Sections 14B and 7Q of the Act, at the rates ranging from 5 *per cent* to 25 *per cent* of arrears per annum. Further examination revealed that penalty was paid by NIELIT Chandigarh on seven occasions[45] during November 2015 to June 2020, by NIELIT Gorakhpur on one occasion (05 July 2016) and by NIELIT Headquarters on one occasion (15 April 2019).This payment could have been avoided, if NIELIT had made timely remittance of the EPF contributions to the concerned EPFOs.

On being pointed out by Audit, NIELIT Chandigarh, confirmed the fact and figures and stated (January 2021) that delay in EPF contribution was due to delay in processing of salaries of contractual staff as it was providing manpower to nearly 325 Centres of NCPUL Pan India. Salaries were processed after deduction of EPF as and when details of attendance were received, the contributions were deposited with EPFO. Further, it was stated that in case of newly appointed faculty, documents required for allocation of Universal Account Number

[45] ₹47,11,409/-=₹2,26,542 (09.11.2015) +₹ 29,49,424 (18.01.2017)+ ₹ 4,23,709 (20.02.2020)+₹ 57,980 (07.02.2020)+₹ 4,90,927 (08.02.2020)+₹ 2,72,592 (20.02.2020)+₹2,90,235 (05.06.2020)

(UAN) were often received late or were required to be corrected. NIELIT Headquarters Delhi stated (October 2020) that after getting the establishment code from EPF authorities, concerned Centres were informed to forward their EPF contributions to Headquarters for deposit of the same with the Regional Provident Fund Commissioner. On receipt of the EPF contributions along with details, Headquarters deposited the contribution. NIELIT Gorakhpur stated (June 2021) that penalty was paid for the period when account opening was under process by Regional EPF Office Gorakhpur.

Ministry endorsed (October 2021) the reply of NIELIT and stated that the interest and damages paid on the belated remittance of EPF during the past years were unavoidable due to various reasons as explained above. Further, Ministry assured that in future utmost efforts would be made to minimize the payment of damages on account of delayed payment of EPF.

Replies of the Management which confirm the payment of penalty to EPFO for various administrative delays including account opening shows that the Regional Centres of NIELIT and Headquarter were not vigilant in timely payment of statutory dues. It is pertinent to mention here that the Chandigarh centre paid interest and penalty on seven occasions from November 2015 to June 2020 indicating that remittance of statutory dues in time was not taken seriously. Further as regards migration from CPF to EPF scheme, NIELIT should have made necessary preparation prior to the transition. NIELIT Headquarters deposited the monthly contribution with delays in almost every month during the period April 2013 to July 2017 with delays up to 731 days.

Thus non-compliance of the statutory requirement of timely remittance of EPFO dues by NIELIT had resulted in avoidable payment of ₹ 71.71 Lakh on account of interest and damage charges for belated remittance of EPF contributions.

Audit Recommends that

It is a statutory requirement to deposit the EPF contribution of employee as well as employer in concerned EPF Office by due date to avoid interest and damage charges. Ministry may issue instructions to all concerned to comply with the statutory requirement and hold the staff personally responsible for penal charges levied on NIELIT by EPFO.

SECTION B

Public Sector Undertakings under Ministries

Chapter V — Public Sector Undertakings under the Ministry of Communications

5.1 Estate Management in Mahanagar Telecom Nigam Limited (MTNL)

Absence of a documented comprehensive Estate Management policy, a dedicated administrative structure in MTNL to support Estate Management and lack of direction from DoT, all contributed to dismal performance in monetisation of vacant/ prime properties of the MTNL. The company did not have title/ lease deeds in respect of properties in their possession. This led to non-utilisation of acquired land/ properties, encroachment of vacant land and delayed the process of monetization of properties. The company incurred avoidable expenditure of ₹113.91 crore by way of ground rent, composition fee etc., on the unutilised properties. The Company lost a prime property in Delhi due to non-mutation of title in its favour. The Company also had accumulated arrears of rent of ₹150.74 crore as of 31 March 2021 on properties rented out to various parties and potential loss of ₹205.80 crore due to non-letting out of vacant spaces.

5.1.1 Introduction

Mahanagar Telephone Nigam Limited (MTNL, the Company) was set up in April 1986 under the Companies Act, 1956 as a wholly owned Government Company. It assumed the responsibility for control, management, operation of the telecom services in two metropolitan cities, viz. Delhi and Mumbai hitherto managed by erstwhile Delhi Telephone District (DTD) and Bombay Telephone District (BTD) under Department of Telecommunication (DoT). All the assets of the DTD and BTD including Land and Buildings worth ₹40.80 crore at Delhi and ₹15.95 crore at Mumbai were vested in the newly formed Company MTNL. It also acquired land/ buildings subsequently. It was in possession of substantial tracts of land holdings, buildings, shopping cum Office complexes and staff quarters. The provisional approximate valuation of all the properties was ₹57,750 crore (₹26,400 crore at Delhi and ₹31,350 crore at Mumbai) as on November 2019 of which lease hold properties value was ₹35,776 crore and free hold properties were ₹21,279 crore. Category wise land and buildings of the Company are detailed in **Table 5.1** below.

Table 5.1: Details of land holdings buildings of MTNL

MTNL Unit	Free hold Land (FHL)			Leasehold Land (LHL)			Shopping/Office Complexes (SCO)			Purchased Quarters (Staff Quarters SQ)			Total Tentative Market value (₹in crore)
	Location	Area sqm[46]	Cost of the FHL (₹in crore)	Location	Area sqm	Cost of the LHL (₹in crore)	Location	Area sqm	Cost of the SCO (₹in crore)	Quarters	Area sqm	Cost of the SQ (₹in crore)	
Delhi	0	0	0	92	6,40,651	26,202	26	13,135	132	103	8,400	66	26,400
Mumbai	53	5,00,371	21,279	52	2,50,445	9,574	12	3,760	58	591	36,007	439	31,350

Source: Valuation as per in-house assessment made by Civil Wing, Corporate office MTNL Delhi

46 Square meter

5.1.2 Audit Scope, Methodology and Objectives

The scope of audit included examination of management of land and buildings owned by MTNL on its formation, as well as acquired subsequently by the Company. The Audit covered the period from 2015-16 to 2020-21and involved examination of records of the Company relating to land management in the Corporate Office, Offices of Area GMs and ED Offices of MTNL located at Mumbai and Delhi. Review of specific aspects such as existence of effective Estate Management Policy and supporting administrative structure, utilization of land and building, leasing/ renting out of land and buildings, encroachment of land, formation and implementation of proposals for monetization and commercial exploitation of land and buildings was carried out in both the units at Delhi and Mumbai.

The audit of Estate Management in MTNL was undertaken with the objective of ascertaining whether the Company had an effective estate management system in place. In addition, given the mounting losses of the Company in the recent past and which were continuing, the audit also aimed to ascertain whether the Company had made adequate efforts for leveraging land and building assets for generating resources through monetization in compliance with Government guidelines if any.

5.1.3 Audit Findings

Significant audit findings from the Audit are detailed under the following heads

A. Management of Estate

B. Monetization of Property/assets.

5.1.4 Management of Estate

5.1.4.1 Non availability of the Title deeds and Lease deeds of the properties with the Company

MTNL was required to mutate the properties vested with the Company, in its name after paying the stamp duty to the concerned land authorities. In case of leasehold properties, lease deeds were to be executed in its name. A formal transfer deed for real estate property of the DoT, transferred to MTNL, was executed (30 March 1987); but the same has not been registered with the appropriate municipal authorities so far. Audit observed that no instructions were issued by the Corporate Office of the Company for a time bound mutation of the properties and execution of the lease deeds.

Audit observed that in case of 91 out of 92 lease hold properties (area measuring 5.56 lakh sqm) at Delhi, no lease deeds were executed by the Company with the owners. In case of properties at Mumbai, title deeds of 45 properties (area measuring 3.81 lakh sqm) recorded in the books of the Company were still in the name of Government and not in name of MTNL. It is pertinent to mention here that 27 of such properties in Delhi where there was no lease deed and four properties in Mumbai without title deed were shortlisted for "Monetisation".

For non-availability of title deeds and non-mutation of properties, Management stated (December 2021) that prior to Cabinet approval in 2019, there was no clear Government instruction/policy regarding alienation of land in possession and control of

Government/Government controlled statutory authorities through various means such as sale, lease or licence. Further, it was stated that execution of any lease deed attracts stamp duty charges which needs to be paid in the manner prescribed under the relevant stamp laws of the State and huge expenses required to be incurred by MTNL for execution of lease deed/mutation of properties in Delhi and Mumbai. Due to MTNL's weak financial position and lack of clarity on transfer/ sale of assets, decision of execution of lease deed/ mutation was kept on hold. DoT replied (October 2021) that the up keeping of Revenue Records was the responsibility of concerned CPSE and added that the Asset Management Division of DoT does not monitor individual records of MTNL properties. For other aspects, DoT endorsed the reply of the Management in December 2021.

Reply of the Ministry/ Management is not acceptable as it was the Company's responsibility to register the real estate property that was in its possession since three decades. Moreover, the Company was in a sound financial position at that time and in any cost of registrations have to be borne by the Company to legally secure its tilts/ interest in properties in its possession. DoT, being the Administrative Ministry, also did not monitor execution of land ownership deeds by MTNL nor did they monitor utilisation of land acquired by the Company or its monetisation all these years.

5.1.4.2 Shortcomings in recording of valuation and status of Company's land holdings

Review of the records of assets of the Company revealed the following shortcomings in data, in recording year of acquisition, area and value of estate holdings.

(i) As per the Asset Register of Mumbai Unit, value of 17 properties (12 land and 5 buildings) out of a total of 130 properties in the possession of the Company was not recorded in the books of accounts.

(ii) The property located at Minto Road, Delhi was stated to be leasehold by PGM (D) whereas the Statutory Auditors had in their report for the year 2018-19 termed the same as freehold. It was clarified by the Management (December 2021) that this property is a leasehold property allotted by MoUD. However, it was observed that the Annual Reports of 2019-20 and 2020-21continued to show this property as freehold. Hence there existed discrepancy in the holding status of the property,

(iii) Audit also observed that there was mismatch in year of acquisition and area of land in 24 cases in the record provided to audit by the Civil wing of the Corporate Office MTNL Delhi for Mumbai Unit and the data maintained by Planning/Asset Management unit in Mumbai**.**

On this being pointed out, DoT accepted the audit observation and stated (December 2021) that the matter was under review and was being taken up with MTNL Mumbai in respect of 17 properties. It further added that data reconciliation was being done for the 24 properties in Mumbai. As regards property at Minto Road, it was stated that it was a leasehold property.

5.1.4.3 Avoidable expenditure on re-allotment of already vested property

MTNL inherited (in 1986) an old telephone exchange at Connaught Place, Delhi from DoT. The Company applied (May 2001) for NOC/ sanction of plan for a new building of Telephone

Exchange to the Ministry of Urban Development/ Land & Development Office (L&DO). However MTNL could not establish its ownership on the land for want of mutation of the property in its name. As a result, MoUD re-allotted (December 2001) the same land to MTNL and the Company had to incur expense of ₹108.33 crore[47] on various occasions for getting the re-allotment of land in its favour in December 2015 and continuing ground rent since then till January 2021.

Physical verification of the property by audit in March 2021, revealed that the Company did not start construction of the new telephone exchange and the old structure continued to exist at that location (**Figure 5.1**).

Figure 5.1: Old Telephone Exchange building at Connaught Place, Delhi

Old Telephone Exchange at Connaught Place, Delhi.

Therefore, the entire purpose of getting new building plan issued to construct new telephone exchange and incurring expenditure of ₹108.33 crore stood defeated since the land was not used for the purpose it was planned for.

5.1.4.4 Blockade of funds and avoidable expenditure on vacant properties in Delhi

MTNL inherited/ subsequently acquired certain land parcels during 1985 to 1998 for the purpose of constructing Telephone Exchanges, RSU, and Training Centre etc. Audit observed that MTNL did not use the properties for the intended purpose despite incurring expenditure of ₹16.40 crore on account of ground rent and composition fee as detailed in **Table 5.2** below.

Table 5.2: Detail of properties

Description of the Property	Expenditure incurred	Audit observation
Acquisition of 15 land parcels[48] (March 1985 to September 1998) for constructing Telephone Exchanges, RSU, and Training Centre etc. at the cost of ₹ 88.32 crore	₹5.58 crore upto March 2019 as Composition Fee[49]	MTNL did not construct buildings on these properties within stipulated time, and hence had to pay composition fees to the DDA/

47 47.86 crore (cost of land including ground rent for one year)+₹48.80 crore (ground rent up to January 2011 and interest on belated payment of cost of land) +₹11.67 crore (Ground rent for the period from 2012 to January 2021)

48 Located in Connaught Place, NOIDA, Mayur Vihar, Vasant Vihar, Vasant Kunj, Shahdra, Bikaji Cama Place, SaritaVihar, Asian Games Village, Karkardooma, Mandavli and Yamuna Vihar

49 The composition fee is leviable for not completing the construction of plot within specified initial period after possession of plot.

		MoUD/ NOIDA, the allotting authorities.
Acquisition of 10 land properties [50] (from 1992 to 2010) measuring 23,130 sqm at the cost of ₹ 21.69 crore for construction of telephone exchange, Customer Service Centre (CSC), Remote Switching Unit (RSU) and Base Trans-receiving Station (BTS).	₹10.82 crore upto March 2022 for ground rent	These properties are lying vacant since acquisition, i.e., for a period of 10 to 28 years without any construction. Some of the vacant properties have been shown in **Figure 5.2**.

Figure 5.2: Few of the vacant plots of MTNL in Delhi

Vacant plot at Bawana, Delhi	Vacant plot at Rohini, Sector V, Delhi

Management stated that (December 2021) initially to reach out to the potential customers and catering to their demand, real estate assets were acquired by MTNL. However, in the subsequent years as competition in the telecom sector started, MTNL was also compelled to invest in new technologies and introduce new services. During these years investing on the core services was pertinent for company for providing services to the subscribers. Hence, further development was not taken into consideration and MTNL continued services utilizing the existing infrastructure.It further stated that (January 2022) it could not take up construction on other properties due to scarcity of funds or lack of requirement of construction for larger buildings. Vacant plots were however utilized for other gainful purposes like stores, towers and temporary RSU/ RLUs. Ministry endorsed the reply of the Management.

MTNL neither utilised the properties in time as per the purpose they were acquired for nor did they monetise them all these years. Further, vacant lands are also prone to encroachment. The Company also failed to commercially exploit the acquired land and earn required additional revenue to augment its working capital in tough times, when the Company was suffering adverse financial conditions.

[50] Burari Gram Sabha, Gandhi Ground, Mewa Hotel Town Hall, KuchaNatwa, JaunaPur Plot-I, Sun Light Colony TE, MayurVihar Phase IA Part 4, Bawana Sector I UdyogVihar, Mangolpuri Industrial Area Phase-I, Rohini Sector 5.

5.1.4.5 Non-mutation of the title in the name of the Company leading to cancellation of Netaji Nagar Plot in Delhi

A 7.472 acre of land (approx.) was allotted to Post and Telegraph Department by MoUD/ L & DO to set up stores during 1954 to 1966. This land parcel was jointly utilised by DoT, BSNL and MTNL. Out of the total land, 1.30 acre (5,261 sqm) piece of land was in possession of MTNL since 1986. MTNL constructed a permanent structure along with store shed for Cable Store Depot (CSD) on this piece of land, but did not get the said land transferred in its name all these years. This piece of land was taken over by the Mo HUA for construction of 'Central Vista Project' in February 2020. Audit observed that MTNL did not get the land mutated in its name and though the Company took up the case with DoT and MoHUA for fair compensation for the loss of its land, no compensation/alternate land was provided to MTNL.

Accepting the above facts, the Management stated (December 2021) that the power in respect of such allotment of land vested in the Government. Hence, in compliance to the Government decision and instructions, possession of said plot was handed over to L&DO.

Thus, due to failure of MTNL to get the lease hold rights of the land mutated/changed in its name and failure of DoT in effectively intervening in the matter, MTNL was not able to establish its ownership of the land and lost the land without any compensation or allotment of alternate land. The tentative market value of the property taken over by MoHUA was approximately ₹827 crore which is apparent loss to the Company.

5.1.4.6 Encroachment of prime properties in Delhi and Mumbai

Audit scrutiny of the status of properties revealed cases of encroachment of which one case pertained to Delhi and eleven cases to Mumbai. Details of these cases are discussed below.

A leasehold plot measuring 1,897sqm was acquired (May 1999) by the Company at Najafgarh, Delhi at a cost of ₹1,22,398 for construction of telephone exchange. At the time of acquisition itself half of the plot was under encroachment (**Figure 5.3**) and MTNL despite being aware of the fact continued with acquisition but could take only part possession of the land which was not under encroachment.

Figure 5.3: Encroachment of MTNL properties at Najafgarh, Delhi

Illegal encroachment of MTNL properties at Najafgarh Gaon Sabha, Delhi

Further, subsequent to the acquisition, the Company could not get the encroachment cleared or prevent further encroachment. As a result, the plot was fully encroached by December 2009. MTNL belatedly filed a case which was still pending in the court (April 2021). Thus, the acquired land could not be put to use since its acquisition. Audit also observed that the Company did not have in its possession Lease Deed in respect of this property.

The Management stated that it had corresponded with land, police and corporation authorities and legal action was taken.

Encroachment of the land and wanting lease deeds would be a deterrent for successful monetization of the land in future. MTNL had not managed the removal of encroachments to the property all these years. Current market value of this property is approximately ₹17.53 crore. This value could be much more if the encroachments are removed effectively.

In Mumbai, six vested and five acquired properties were under encroachment (ranging from two to 100 *per cent*) as given in **Table 5.3** along with the tentative value of the properties.

Table 5.3: Details of encroached properties in Mumbai

Sl. No.	Name of the Property		Included in Monetization plan	Total Area of Land (in sqm)	Encroached area (in sqm)	Percentage of encroachment	Tentative Value (₹ in crore)
1	A	Vasari Hill Malad		9,004	9,004	100 (encroached since 1986)	203.67
		Vasari Hill (plot) Residential	Ph-I	5,525	503	9	
2	A	Manjarekar Shed Worli		3,074	2,779	90	233.63
3	A	Kandivali, Akurli		1,574	200	13	36.90
4	A	Eksar-I (Addl Land) Borivili	Ph-I	4,388	164	4	120.85
5	A	Eksar-IT. E (Borivali)	Ph-I	19,999	425	2	573.74
6	V	St. George Hosp (Shed)		3,003	2,278	76	231.83
7	V	Kalbadevi T E		1,569	895	57	47.14
8	V	Eksar-II Shimpoli, Borivali	Ph-I	1,06,240	42,641	40	2831.99
9	V	Bengal Chemicals Worli		4,153	1,300	31	136.99
10	V	Ghatkopar (New)		4,618	758	16	128.31
11	V	Vile Parle Telephone Exchange		6,519	945	14	309.91

Audit further observed that title deeds of four of these properties continued to be in the name of Bombay Telephones since vesting by DoT, which could adversely affect the Company during legal proceedings for eviction of encroachment. Despite lapse of three decades, the Management had not taken necessary steps to clear the encroachments and for transfer/ mutation of titles to the land in the Company's name and had kept the land unutilized till date.

Management stated (December 2021) that the cases of encroachment were being pursued with State Government/ MCGM/ concerned authorities to evict encroachment and legal action was also initiated.

Delays in mutation of property in the name of the Company and non-removal of encroachments would adversely affect monetization of these lands.

5.1.4.7 Income from Properties

5.1.4.7(i) Accumulation of rent receivable in respect of spaces rented out

Audit scrutiny of the zone wise/ unit wise outstanding rent as on 31 March 2021 revealed that outstanding rent had accumulated to ₹150.74 crore as on 31 March 2021 (₹35.31 crore in Delhi and ₹115.43 crore in Mumbai unit) from the year 2014-15. The corresponding figure of accumulated rent as on 31 March 2020 was ₹136.59 crore, showing further increase in the arrears in FY 2020-21.

The occupants of MTNL premises[51] in Mumbai remained the highest defaulters. Audit also observed that in 10 out of 54 defaulters, renewal of rent agreements was not done.

Ministry/ Management replied (December 2021) that in case of Mantralaya, provision for Bad Debts of ₹12.76 crore was made in the books of the Company for the Financial Year 2016-17 and the process for write-off of the outstanding rental dues was under approval of competent authority. Management also stated that MTNL has made all efforts for recovery of rental dues and renewal of agreements with tenants which are mostly Government Departments, through meetings at various level upto CMD MTNL. Requisite approval from competent authority in the concerned Government departments was pending or fund allocation was not being done yet. Besides most of the MTNL buildings were old constructions and high maintenance was required for upkeep of these building and MTNL is also working for resolution of these issues. The Management also confirmed that they had got the agreement executed with GST department on 28 October 2021. However, renewal of agreement was still pending in case of Sub-Registrar.

Thus the Company needed to take vigorous steps to recover its dues and strengthen its financial liquidity and not write off debts in cases of valid agreements where properties continue to be occupied by the defaulters or ensure that valid agreements are put in place with the occupying Authorities.

5.1.4.7(ii) Loss of potential rental revenue due to non-letting out of vacant spaces

A review of monthly statements on spaces rented out by MTNL and vacant spaces available for rent revealed that at the end of January 2021, 145 vacant spaces (39 Delhi, 106 Mumbai) were still available for letting out. Further analysis disclosed that out of these vacant spaces 134 vacant spaces (36 Delhi, 98 Mumbai) were identified and available for renting out but remained vacant for 11 to 17 months as on January 2021. This resulted in a potential loss of

[51] Amount outstanding from Sub Registrar (4 locations) being ₹32.33 crore, MPSC -₹13.91 crore, Mantralaya-₹12.76 crore and GST Department-₹8.65 crore

₹205.80 crore on account of rental revenue calculated on the prevailing market rates as detailed in **Table 5.4**.

Table 5.4: Details of potential loss of revenue

MTNL Unit (1)	Vacant spaces available as of Jan 2021 (2)	Vacant spaces available for more than nine months (3)	Vacant since (4)	No. of months lying vacant as of Jan 21 (5)	Expected monthly revenue ₹ in crore (6)[52]	Total potential loss ₹ in crore (7)=(5)*(6)
Delhi	39	22	Sep 19	17	3.04	51.68
		14	Mar 20	11	1.74	19.14
Mumbai	106	98	Sep 19	17	7.94	134.98
Total	145	134			12.72	205.80

In reply, the Management stated (December 2021) that most of the MTNL buildings are old constructions and maintenance needs to be incurred to attract new tenants. In both Delhi and Mumbai office/ commercial spaces with all the latest facilities from private builders is available making MTNL less attractive. It was added that MTNL is doing conscious efforts for renting out of buildings and increment of rental income.

However, the fact remains that the Company has not been able to rent out the properties despite lapse of more than seventeen months after identification.

5.1.4.8 Estate Management Framework

Estate properties are a scarce and valuable asset and thus constitute an extremely important resource for any business enterprise. It was, therefore, important for the Company to have a comprehensive policy and laid down procedures for Estate Management. Further a dedicated administrative structure for Estate Management at the Corporate level or/ and at the Unit level at Delhi and Mumbai with clear roles and responsibilities was also vital.

- ❖ Audit observed that even after 35 years of formation, the Company did not have a documented comprehensive land and Estate Management Policy. It had only promulgated some guidelines in 2006 and 2010 for the limited purpose of renting/leasing out property. These guidelines were also not very effective as they did not enable the Company to effectively lease/rent out many buildings which were lying vacant and loss of potential revenue.
- ❖ Further, it was observed that till 2019 the Company did not have a dedicated administrative structure to manage the estate of the Company. It was only subsequent to Government's approval of a revival package for MTNL in 2019, that an Asset Management (AM) unit was formed (December 2019) at Corporate Office Level to handle monetization related and AM Cells were formed at unit levels at Delhi (December 2019) and Mumbai (February 2020) to deal with cases of monetization of real estate assets and for communication and coordination with different agencies

[52] As intimated by the Management

including DoT, Department of Investment and Public Asset Management (DIPAM) etc. and manage its estates.

Management replied (December 2021) that in MTNL, field units Delhi and Mumbai are the custodian units for properties under their jurisdiction and respective Executive Directors manage all land/ building related matters. Before Government approval of revival package for MTNL in 2019, there was no clear Government instruction/ policy regarding alienation of land in possession and control of Government/ Government controlled statutory authorities through various means such as sale, lease or licence. Subsequent to the decision taken by the GoM[53] in December 2020 to formulate a guideline/ procedure for monetisation of asset upto ₹100 crore, a policy for monetisation of real estate in MTNL through outright sale/ transfer along with detail operating instructions has been formulated. DoT mentioned (December 2021) that the guidelines for monetization of assets of CPSEs were issued by DIPAM in March 2019 and the Cabinet approved the proposal of DoT for revival of MTNL including decision to monetize assets in October 2019.

DoT endorsed the reply of the Management in December 2021 without addressing the concerns expressed by the Management.

Thus absence of a documented comprehensive Estate Management Policy and a dedicated administrative structure to support this function for a prolonged period of more than three decades, adversely affected monetisation of the properties in MTNL. Key tasks such as maintenance and updation of land ownership records, utilisation and management of vacant land, leasing/renting of properties were not performed thereby the Company could not reap any benefits of monetisation of its properties despite its poor financial condition..

5.1.5 Proposals for Monetization of Properties

5.1.5.1 Projected/Planned monetisation of properties owned by MTNL

The Government approved (October 2019) a proposal of DoT for "Revival of MTNL" which included a provision for monetization of land/ building assets to be executed in accordance with the DIPAM guidelines. Based on the above, MTNL envisaged a roadmap for monetization of assets as detailed in **Table 5.5**.

Table 5.5: Year-wise projected monetization of assets

(₹ in crore)

PSU	2019-20	2020-21	2021-22	2022-23	Total
MTNL	300	7,000	7,000	3,000	17,300

DoT conveyed the Presidential approvals for monetization of properties of both Delhi and Mumbai units as detailed in **Table 5.6** subject to compliance of certain conditions.

53 Meeting of Group of Ministers (GoM) constituted for "Revival of MTNL" held on 21 December 2020

Table 5.6: Details of approval of monetization of properties

Proposals sent	Delhi	Mumbai	Total
Phase-I (13 Nov 2019)	35 properties 96 staff quarters 11 properties	23 properties 403 staff quarters 05 properties	58 properties 499 staff quarters 16 properties
Phase-I (16 Dec 2019) (residential staff quarters)	96 flats	398 flats	494 flats/assets
Phase-II (17 July 2020)	24 properties	18 properties	42 properties

Audit scrutiny revealed that although the Company is in the process of taking action on all the stipulations yet due to the reasons like title deeds still in the name of DoT and not in name of the Company, continuing encroachments on land etc., statutory documents were not submitted to DIPAM. In respect of the properties located in Delhi, the Company had to pay conversion charges for changing the category of land from leasehold to freehold. Though the Company had requested (June 2021) Delhi Development Authority seeking relaxation and to allow it to make payments of all the charges post monetization, the outcome is not known.

Audit further observed that in Mumbai, properties identified for monetization included 13 such properties which were termed as Agricultural Land, four properties under encroachment and four properties which did not have Title Deed in the name of the Company. Likewise, in Delhi, there were 27 such properties where there was no lease deed available with the Company (**Annexure-5.1**). It is pertinent to mention here that in case of leasehold properties, the Company must convert them into freehold properties before they could be sold in active market at the prevalent circle rates. Further, the Company is required to get the land use of the property changed to the required land use and mutate the land in the name of the company so as to make the land saleable.

On the progress made with respect to the roadmap for monetization, the Management replied (January 2021) that Inter Ministerial Group gave go-ahead for monetization of some of the Mumbai properties included in Phase-I with tentative value of ₹5,158 crore. International Property Consultants were also appointed for these properties and they had submitted feasibility reports of the assets. However, no property had been monetized yet. The reply was however silent on the compliance with the conditions mentioned in the Government approval and the timelines for Phase-I.

Ministry stated (December 2021) that monetization of Phase I-Delhi properties was put on hold by IMG as most of the properties in Delhi were DDA allotted institutional properties on leasehold basis. It further added that the Company was pursuing to get NOC from DDA for monetization/ outright sale of these properties; however, MTNL has only been able to obtain NOC for 20 out of 27 DDA allotted properties with several riders. In respect of Phase-I Mumbai properties, it was stated that one land parcel (₹270 crore) and 20 No. of Quarters (₹20.32 crore) could be taken up to the auction stage by DIPAM, the auction shall be completed in early 2022; for rest of 378 quarters in Mumbai, International Property Consultants (IPC) report has been received. Other properties were having issue of reservation and designation which is impacting its monetization. It was also mentioned that MTNL was pursuing with Urban Development Department, Maharashtra & Municipal Corporation of Greater Mumbai (MCGM) for removal of Designation and Reservation related issues. The issue of holding in Delhi and issue of reservation/ designation in Mumbai persisted for Phase-II properties also. A comprehensive policy for monetization of real estate in MTNL has now been framed and approval from DoT received and circulated.

Further 11 properties of MTNL were sent to DIPAM for monetization under Phase I, out of which six assets were considered under Category A for which IPCs were appointed. Four properties of MTNL have reservation/designation issues. Two properties have been approved for e-auction.

As accepted by the Management (April 2021), MTNL submitted properties with tentative market value of ₹6,228 crore for Phase-I and ₹11,836 crore for Phase-II for monetization based on DIPAM guidelines. However, only two properties of MTNL Mumbai including one encroached property could be taken forward for monetization.

All this shows that the process of monetization of land assets is still in its initial phase. Based on Government approval for Phase I of monetization in November 2019 and Phase II in July 2020, the Company was in process of monetizing their assets to make the assets saleable. MTNL is too away from the target of monetizing assets amounting to ₹14,300 crore by end of the FY 2021-22 to service the debt and meet its CAPEX and other requirements. The monetisation process would have been smoothen had the Company and DoT identified and acted all these years on the problems plaguing monetisation of the vacant properties.

5.1.6 Conclusion

The Compliance Audit on Estate Management by MTNL has confirmed that neither the Company nor the Government in DoT took any concrete steps all these years towards monetisation of those properties which were in the possession of the Company. Although MTNL was in possession of substantial land holdings and prime properties both in Delhi and Mumbai valuing ₹57,750 crore approximately, the Company was unable to commercially exploit its vacant land space and buildings and leverage the same to generate additional funds to mitigate its poor financial condition. The Company had accumulated losses of approximately ₹14,300 crore underlying the dire need for monetization of properties to earn revenue for its survival.

The Company did not have clear titles to the properties in its possession, land use of property was not changed to allow its sale or monetization; mutations of properties were not carried out in time, vacant properties were found encroached and there was pending litigation. The Company was unable to recover rent from properties let out and the dues stood at ₹. 150.74 crore at the end of March 2021. The Company's efforts to monetize its properties under the Government plans since 2019 were in progress.

5.1.7 Recommendations

- ***MTNL may put in place a comprehensive Estate Management Policy to be implemented by a dedicated administrative framework at Corporate Headquarters.***

- ***Company may put dedicated efforts to obtain clear title of its properties specifically when the de-monetisation of its properties is on cards.***
- ***DoT may consider undertaking a comprehensive examination of delays and shortcomings noticed in audit in taking various decisions relating to conversion of land holding, reservation and designation issues which are impacting the monetization of land assets and monitor the same very closely.***
- ***Non-reconciliation of data regarding value and quantity/size of the properties is a serious lacuna which needs to be urgently addressed by the Company to ensure smooth sale of the properties.***
- ***The Company may take expedient steps to resolve matters relating to lease/ renting to other organisations and recover rental dues to strengthen its financial liquidity. The Company may also ensure valid rent agreements with the occupying authorities and recover its dues.***

5.2 Inventory Management of Telecom Factories in Bharat Sanchar Nigam Limited (BSNL)

Telecom Factories procured excess material leading to accumulation of inventories and stores. Declining demands also resulted in unutilized raw material and finished tower material worth ₹18.45 crore and ₹47.44 crore respectively lying idle in stores since 2015-16 which is a probable loss to the Company.

5.2.1 Introduction

BSNL has in-house manufacturing units for production and supply of various line stores, cable accessories (i.e. Dropwire and HDPE PLB pipe), coin box telephones, exchange equipment, towers etc. produced at their Telecom Factories (TFs). There were seven TFs situated at Alipore, Gopalpur and Kharagpur in West Bengal, Wright Town, Richhai and Bhilai in Madhya Pradesh and at Mumbai in Maharashtra under the administrative charge of their respective BSNL Circle offices in the States.

During the period under audit, before reorganization of circles of BSNL in 2020, TFs at Alipore, Gopalpur and Kharagpur were grouped under Chief General Manager (CGM) TF, Kolkata Circle; Wright Town, Richhai and Bhilai TFs were grouped under CGM TF, Jabalpur Circle and Mumbai was itself independent under CGM TF, Mumbai Circle. These factories mainly produced PLB pipes and Dropwire. Dropwire production reduced considerably due to lack of demand from Circles. Production of HDPE PLB pipes was done in these factories except at Kharagpur TF and Richhai TF.

Table 5.7 describes production target of material vis-a-vis achievement of factories during the last six years in financial terms.

Table 5.7: Target and achievement of Telecom Factories during 2015-21

(₹ in crore)

Year	CGM(TF) Kolkata Circle		CGM(TF) Jabalpur Circle		CGM(TF) Mumbai Circle		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
2015-16	190	192.95	0	139.89	151	133.87	341	466.71
2016-17	232	195.09	185	150.22	190	121.84	607	467.15
2017-18	224	214.6	175	147.54	182	144.17	581	506.31
2018-19	129	159.46	120	141.44	100	107.93	349	408.83
2019-20	0*	19.21	0*	9.43	0*	26.38	0*	55.02
2020-21	70	57.07	72	43.36	82	14.88	224	115.31

Source: MIS Reports of Telecom Factories

*No targets were fixed for the Financial Year 2019-20 due to fund constraints in BSNL

5.2.2 Audit scope, Objectives and Methodology

Audit examined records maintained by seven TFs for the period from 2015-16 to 2019-20 pertaining to receipt and issue of raw material/ finished goods, booking of inventory, unused inventory lying in the stores, non-moving and obsolete material and their disposal, record keeping and physical verification of inventory, compliance of related instructions issued by the BSNL CO periodically. The audit objective was to examine whether the procurement of inventory and production was in accordance with BSNL norms and inventory management of material was economical and efficient .Audit examined records like Management Information System (MIS) related to inventory management, the Physical Verification Reports, Committee Reports regarding utilization/disposal of lying material, Guidelines issued by DoT and the BSNL Corporate Office,

5.2.3 Audit Findings

5.2.3.1 Unutilized raw and finished tower material lying in the stores for long time

DoT issued (April 2008) guidelines on "Infrastructure Sharing among the Service Providers and Infrastructure Providers" for optimum utilization of the available resources and permitted sharing of passive infrastructure including towers/masts, building, shelters, power supply, battery backup power equipment, air-conditioning, etc. It was expected that this would not only bring down the cost of providing the service, but also would help in preventing the deterioration of the skyline.

Audit observed that due to sharing of infrastructure by the Telecom Service Providers, there was declining trend in demand of towers. BSNL, however, did not take cognizance of this declining trend and continued to procure raw material for production of towers during 2009-10 to 2011-12. As a result, raw material for manufacturing of 40-meter towers piled up and material valuing ₹ 25.60 crore accumulated by the stores in April 2015. Out of the above, BSNL could utilise or transfer material to other factories valuing ₹7.14 crore during the period from 2015-16 to 2020-21, leaving balance amounting to ₹18.45 crore[54] as of March 2021

Further, the Company also ended up with excess production of tower material as would be evident from the fact that finished tower material worth ₹47.44 crore[55] was lying in open space in the stores of Telecom factories since 2015-16 without any fruitful utilization as of March 2021.

On this being pointed out by Audit, the Management of TF Kolkata and TF Jabalpur stated (January 2021 and November 2020) that during 2005–10 there was huge demand of tower because of expansion of mobile telephony. Afterwards there was a decline owing to change in the Government policy regarding sharing of passive infrastructure amongst telephone operators. Accordingly, all the black tower material had been sold out from 2018-19 onwards. Though tower production was discontinued from 2011-12 the finished tower components, raw material, WIP items and black fabricated components were lying unutilized**.** It further stated that a small amount could be utilized in requirement of a few Circles. They stated that, the matter was under examination for approval of disposal or any other action.

The reply of the Management is not acceptable because although there was sudden decline in demand of tower from 2010-11, Corporate Office continued to fix target for production of towers in 2010-11 and 2011-12 and the factories produced towers during that period. The factory authorities also did not prepare their plans realistically taking into account the decline in demand for towers.

Thus, imprudent planning and delays on part of the Company to perceive the market situation of declining trend in demand for towers resulted not only in idling of raw material for towers worth ₹18.45 crore, but also idling of finished products worth ₹47.44 crore. Company's funds were also blocked to that extent and considering the time lag in utilizing/ disposal of the material, it would be probable loss to the company.

5.2.3.2 Non disposal of Non-moving, obsolete and scrap material

BSNL Corporate office issued (January 2017) instructions to the Circles that the disposal of obsolete and scrapped store/ equipment and utilization of useful surplus inventories was one of the most important functions of Material Management. This was necessary as the store and equipment tend to become surplus, obsolete, unserviceable etc. over a period of time due to its prolonged usage, change in technologies, damage, beyond economic repair etc. Disposal of such items was required to be done on periodical basis besides utilization of useful inventories in order to get maximum returns.

Audit scrutiny revealed that TFs did not follow the said instructions of Material Management. Subsequently rapid obsolescence of stores had taken place due to changes in technology in the telecom industry. This resulted in non-utilization of stores for long time and consequently their

[54] Alipur ₹0.61 crore, Gopalpur ₹0.10 crore, Kharagpur ₹0.36 crore, Wright Town ₹11.09 crore, Bhilai ₹2.90 crore and Richhai ₹3.40 crore

[55] Galvanised stock in Alipur ₹0.21 crore, Gopalpur ₹3.92 crore, Kharagpur ₹19.20 crore, Wright Town ₹13.12 crore, and Richhai ₹ 10.90 crore; Black Tower Component in Gopalpur TF worth ₹ 0.09 crore

obsolescence and non-disposal. Audit observed that items valuing ₹46.98[56] crore were lying in the stores since 2015-16 without any movement occupying large space in the stockyard/warehouse and incurring overheads thereon also. This resulted into deterioration in the quality, quantity and value of store items with the passage of time.

It was further observed that obsolete declared inventory worth ₹9.50 crore[57] was lying in the stores since 2015-16 leading to deterioration in quality of stores.

DoT replied (November 2021) that necessary steps were being taken to gainfully utilize or disposal of these stores at Telecom Factories Kolkata and efforts were on for disposal at Telecom Factories Wright Town, Richhai and Bhilai. In Telecom Factory Mumbai, non-moving/ slow moving stores worth ₹1.15 crore decreased to ₹64.86 lakh as of March 2021. For obsolete stores, Department stated that the obsolete stores had been disposed of at TF Kolkata (Alipore, Gopalpur and Kharagpur) and Bhilai.

Reply of the Ministry is not acceptable as the non-moving stores had again increased to ₹1.17 crore at TF Mumbai as of September 2021 and the obsolete stores in TF Jabalpur (Wright Town) valuing ₹46.42 lakh still remained undisposed as on March 2021.

5.2.3.3 Discrepancies in maintenance of Inventory Register

Consequent to the computerization systems in BSNL, the raw material and finished products were directly booked in SAP. As a result, various manual registers were discontinued (November 2015)

Audit scrutiny of Inventory/ Price Store ledger and Physical Verification Report (PVR) of Alipore, Kharagpur, Wright Town, Bhilai and Richhai factories revealed that there was a difference of ₹22.70 crore in value and quantity of various store items and finished products between Inventory Register and PVR during 2015-16 to 2019-20**.**
The Ministry while accepting the audit observation agreed to reconcile the figures.

5.2.4 Conclusion

The main objective of material management is effective planning for procurement, storage and distribution of materials as per the requirements of the Company. However, BSNL Corporate Office and Telecom Factories without analysing the declining market demand of the tower material went ahead in procuring raw materials. This resulted in piling up of stocks and idling of raw materials and finished products of tower materials. The Telecom Factories did not dispose the scrap/obsolete material in time leading to technical obsolescence and further deterioration in quality and value of the stores. The factories did not identify and reconcile shortages in Physical Verification Report as against Inventory Register. These deviations in the 'Inventory Management' at the factories was despite of introduction of SAP in November 2015.

56 Alipore ₹0.66 crore, Gopalpur ₹4.14 crore, Kharagpur ₹23.32 crore, Wright Town ₹6.05 crore, Richchai ₹5.09 crore, Bhilai ₹6.57 crore and Mumbai ₹1.15 crore

57 Alipore ₹1.48 crore, Gopalpur ₹0.69 crore, Kharagpur ₹6.66 crore, Wright Town ₹0.66 crore, Bhilai ₹0.006 crore

5.2.5 Recommendations

- ***BSNL may plan in a realistic way procurement of raw material and production, considering the prevalent market conditions and trends in demand so as to avoid excess procurement of raw material and production. They may take early decision for utilization /disposal of the material towers lying idle in Telecom Factories.***
- ***BSNL may review the stock of obsolete inventories and initiate action at the earliest for their disposal to avoid further deterioration in value of the material.***

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

6.1 NICSI's inadequate debt recovery mechanism

Absence of proper recovery mechanism in NICSI led to accumulation of dues of ₹111.20 crore due from Government Department/ agencies and exposed it to risk of loss of revenue on account of completed projects.

National Informatics Centre Service Inc. (NICSI) was established in 1995 as a Section 8 Company under Ministry of Electronics and Information Technology (MeitY) for providing and procuring Information and Technology (IT) solutions for e-governance projects undertaken by National Informatics Centre (NIC), MeitY and other Government Departments and Organisations (viz. PSUs, ABs etc.) for which it charges "Administrative Charges" at rates fixed from time to time.

NICSI (the Company) had entered into agreements/ MoUs with Government Departments and Government agencies for execution of IT projects. The Company had implemented approximately 35,000 projects since inception in 1995, about 4,030 projects were outstanding/ in progress and 30,970 projects were stated to be closed/ completed as of March 2021. As of 31 March 2021, the Company had profit of ₹98.23 crore and its main income was out of administrative charges, sale of goods and services and interest on surplus funds with banks.

The Company issues Proforma Invoices to the users/ customers/ client departments demanding 100 *per cent* advance payment from them which it was to pay to the vendors for procurement of services and goods for their Clients. During conduct of audit it was observed that on receipt of advances from the user departments, the Company placed work orders on its empanelled vendors who submitted the invoices to the Company after completion of the order and it released payments to them as per the conditions of payment in the work orders. However, the user departments defaulted in payments of advances/ balance dues against the projects, even after their completion whereas NICSI had already released the payments to the vendors. This resulted in accumulation of large debtors and as on 31 March 2021, the Company had cumulative debtors amounting to ₹348.69[58] crore. Out of this, dues of ₹111.20 crore pertained to 2,378 projects which were completed during 1998 to 2021 as summarised in the **Table 6.1** below.

Table 6.1: Age wise outstanding receivables

Projects completed	Outstanding dues (in ₹ crore)	Percentage
More than Ten years back (1998 to 31.03.2011)	37.16	33.42
Five to ten years back (01.04.2011 to 31.03.2016)	41.00	36.87
Three to Five years back (01.04.2016 to 31.03.2018)	19.16	17.23
Upto 3 years back (01.04.2018 to 31.03.2021)	13.88	12.48
Total	**111.20**	**100**

[58] Client Departments included 29 Central Government Departments, 24 State Government Departments, 5 PSUs, 6 Autonomous Institutions, etc.

As per the Table 6.1 above, 87.52 *per cent* of the outstanding dues were more than three years old with the possibility of recovery of such old dues turning progressively bleak with the passage of time. Further, outstanding dues of ₹46.34 crore pertained to 628 closed projects which were carried out by NICSI on behalf of its parent Department/ Office i.e. NIC, of which ₹23.52 crore belonged to 227 projects which were closed more than 10 years back. Out of ₹111.20 crore debtors outstanding as on 31 March 2021, ₹86.73 crore (approximately 78 *per cent)* was paid to the vendors out of NICSI's internal funds.

Scrutiny revealed that the Company started new projects with the same clients before settlement of dues from previous projects and continued to incur expenditure from its own funds in excess of advance received from them. The Company had, in their Accounts, created 100 *per cent* provision for debtor that were more than 10 years old, 50 *per cent* for the debtors which were 5 to 10 years old and 25 *per cent* provision for 3 to 5 years old debtors.

After being pointed out by Audit (June 2018), Management in their reply, while accepting the deficiency in the Purchase Orders placed on vendors stated (December 2018) that thereafter it had started including a condition in the Purchase Orders that after delivery/ installation/ supply of the Goods and Services, the Company would release further payments to the vendors only after the balance funds are received from the user departments.

Management replied (March 2021) that even though NICSI had been mentioning as a condition in the Proforma Invoice that 100 *per cent* cost involved be released in advance, some of the customers had been releasing lesser amounts due to reasons like GFR provisions requiring releasing of amount in advance only upto 40 *per cent*, fund constraints etc. Accordingly, large debtors have accumulated on yearly basis. The Company further added that besides regular follow up, a special cell had been constituted in March 2021 to ensure larger recovery. Ministry, while agreeing to the reply of the Company (September 2021) assured that NICSI will continue to take necessary action with the concerned users to expedite the recovery of the outstanding dues more aggressively.

Reply of the Management is not acceptable because despite follow up and insertion of an amended clause regarding payments to vendors in the Purchase Order, the Company could not recover the outstanding balance of ₹111.20 crore from the clients towards the completed projects whereas they had made payments to vendors out of their internal funds. The Company was not sufficiently vigilant about recovering dues from Departments/Agencies while the projects were ongoing. Further the Company is also exposed to the risk of loss of revenue along with tentative loss of interest of about ₹38.04[59] crore. The Company did not make adequate efforts to recover balance dues from even those agencies with whom it had entered into fresh Agreements.

Thus absence of proper procedures and recovery mechanism and a lackadaisical approach towards recoveries resulted into non-recovery/non-settlement of dues against the projects.

[59] The loss of interest has been calculated for ₹ 37.16 crore for 10 years, ₹ 41 crore for 5 years and ₹ 19.16 for 3 years @ 6 *per cent* per annum on conservative basis.

Audit Recommends that

NICSI may ensure an efficient recovery mechanism in case of ongoing as well as completed projects. They should ensure settlement of previous accounts with the clients before taking up new projects for them. They may take necessary steps for recovery of their pending dues from various clients.

Chapter VII Public Sector Undertakings under the Ministry of Finance

7.1 Avoidable financial burden on Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) due to injudicious investment decision

Injudicious decision of the Investment Committee of the Employees Provident Fund Trust of the Bharatiya Reserve Bank Note Mudran Private Limited, to invest the Employee's Trust funds with a private company, led to avoidable financial burden on the Company on account of loss suffered by the Trust. The Company had to make good interest loss of ₹1.37 crore to the EPF Trust and further interest liability of ₹81.43 lakh was pending. The Company would also have to compensate the Trust for likely loss of principal amount of ₹5.70 crore since the investee company (IL&FS) had defaulted in payment of interest and had gone into liquidation.

Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL), was established by Reserve Bank of India (RBI) as its wholly owned subsidiary (February 1995) with a view to augment the production of bank notes in India, in order to enable the RBI to bridge the gap between the supply and demand for bank notes in the country. The BRBNMPL (the Company) has been registered as a Private Limited Company under the Companies Act 1956 with its Registered and Corporate Office situated at Bengaluru. BRBNMPL Employees Provident Fund (EPF) Trust was established in March 1997 for the benefit of its employees and is administered by a Board of Trustees.

The Modified Investment Guidelines (September 2015) for investment of surplus funds, issued by the Ministry of Labour and Employment for investments by EPF Trusts were adopted by the EPF Trust of BRBNMPL also. As per these revised guidelines, the Trust could invest in Government Securities and related investments (Category-i securities), Debt instruments and related investments (Category-ii securities), Short Term Debt instruments and related investments (Category-iii securities), Equities and related investments (Category-iv securities) and Asset Backed, Trust Structured and Miscellaneous investments (Category v securities) at prescribed percentages. The investment decisions were to be taken by the Investment Committee[60] of the Trust and approved by the Chairman of the Trust. As per the guidelines, the Trust could make investment in the H-1 script purely on the basis of 'Annualised Yield to Maturity' (AYTM). Further, as per para 35(b) of the EPF Trust Rules of BRBNMPL, the employer shall make good any other loss that may be caused to the Fund due to theft, burglary, defalcation, misappropriation or by any other reason.

Investment Committee of the EPF Trust of the Company decided to invest ₹5.70 crore available with the Trust as on 30 June 2017 in Category (ii) securities comprising PSU Bonds, Public Financial Institution Bonds, Private Sector Bonds and Term Deposit Receipts. The Committee invited quotes from the arrangers and received quotes from 14 arrangers. As per the comparative statement, M/s J&K Bank emerged as H-1 with an AYTM @ 9.06 *per cent*

[60] The Investment Committee would consist of the Chairman (at the level of DGM and above), Trustee Secretary and Advisor, Executive Trustee, one management Trustee, two employees Trustees of the BRBNMPL PF Trust posted at Corporate Office

maturing in June 2022. However, the Investment Committee did not consider the H-1 for the investment and instead decided (June 2017) to invest entire amount in H-2 script quoted by IL&FS Financial Services Ltd (IL&FS) with an AYTM @ 7.99 *per cent* maturing in June 2024.

Audit observed (March 2021) that the Investment Committee rejected the H-1 quote by J&K Bank by merely stating that it was a Basel III Bond, without specifying anything for not finding it attractive enough . As per the modified guidelines for selection of private sector bonds (Para 4.2 C of the Guidelines), a minimum credit rating of the scripts was required to be AAA and from two rating agencies. Though the credit rating for IL&FS was shown as AAA in the comparative statement by two rating agencies (CARE and India Rating & Research Pvt Ltd.), the verification status of rating given by CARE was indicated as 'not verified' by National Securities Depository Limited (NSDL). The investee company, IL&FS paid interest of ₹45.60 lakh on investment for the first year due on 22 June 2018 but defaulted in payment of subsequent instalments of interest amounting to ₹1.37 crore for consequent three years from 2019 to 2021. Due to the default, the Company had to make good the loss to the Trust. It paid ₹55.37 lakh towards interest due for the FY 2018-19 and 2019-20 to the EPF Trust, whereas interest of ₹81.43 lakh for the years 2020-21 and 2021-22 (up to 22 June 2021) was yet to be made good by the Company. Besides, the likely loss of principal amount of ₹5.70 crore would also have to be borne by the Company since IL&FS was under liquidation. It is pertinent to mention that IL&FS had defaulted on payment on account of interest and redemption of debentures, on due dates to 64 other debentures holders too, during 2018 and 2019. As such chances of recovery of principal amount of ₹5.70 crore from the IL&FS are bleak. Thus, in keeping with the guidelines, the Company would have to make good the loss towards Principal and interest totalling to ₹7.07 crore (Principal of ₹5.70 crore and interest ₹1.37 crore) from its own funds. The interest liability would be continuing until the recovery of the principal amount.

Management stated (June and August 2021) that Investment Committee had decided not to invest in H-1 script as it was a Basel III bond and also its rating as on the date of investment was AA, which was lower than the required credit rating (AA+) for investment in PSU Bonds. They justified the investment stating that the credit rating of IL&FS was AAA as done by two agencies i.e. IND & CARE.

The reply is not tenable firstly because as per Para 2.1 (ii) of the Modified Investment Guidelines, investment in Scheduled Commercial Banks under RBI Guidelines was allowed with a minimum AA rating. Thus, the decision of the Investment Committee for rejecting H-1 Quote of J&K Bank, which is a Scheduled Commercial Bank, on the basis of lower credit rating was not correct. Secondly, IL&FS had verified credit rating by IND (the credit rating agency) as on the date of submission of quote and did not see verify/ check the other credit rating. Further as per Para 4.2 (C) of the Guidelines, investment with single issuer/ Group of Companies may be restricted to five *per cent* of total investment of the Trust in the current year or ₹5 crore whichever is lower. The Investment Committee overlooked this limit also while investing beyond the stipulated amount in the private sector company.

Thus, the EPF Trust's decision to invest surplus funds of EPF Trust in a private sector company to the extent of ₹5.70 crore was not justified, being not in strict compliance with the investment guidelines. The loss caused to the Company's EPF Trust has to be made good by the Company causing avoidable financial burden of ₹1.37 crore so far out of which interest of ₹81.43 lakh is pending for payment for 2020-22. The Company may also have to pay principal amount of ₹5.70 crore also as the IL&FS had defaulted the payment of interest for three years and had gone into liquidation. Further the interest liability on the Company would be continuing until recovery of the Principal amount.

The matter was referred to Government, their reply was awaited (April 2022).

Audit Recommends that

- ***The Company may ensure that the EPF Trust follows the guidelines for investments more scrupulously to avoid recurrence of loss making investments.***
- ***The Company may fix responsibility on the Trust employees for the injudicious investment decision which has imposed avoidable financial burden on the Company.***

New Delhi
Dated: 17 June 2022

(MANISH KUMAR)
Director General of Audit
Finance & Communication

Countersigned

New Delhi
Dated: 21 June 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES & ANNEXURES

Appendix I

(Refer to Paragraph 1.6.1.7; 1.6.2.3; 1.7.2)

Statement of Central Public Sector Undertakings under Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY), Ministry of Finance and Ministry of Statistical Programme Implementation (MoSPI)

Sl. No	Name of the CPSUs	Government of India Investment	Paid up share capital Amount of Investment (₹ in crore)	Revenue (₹ in crores)	Profit/(Loss) (₹ in crore)
Ministry of Communications					
Department of Telecommunications					
1	Bharat Sanchar Nigam Limited	100	5000	18,594.81	(-)7441.12
2	BSNL Tower Corporation Ltd	Subsidiary of BSNL		0.31	0.01
3	Mahanagar Telephone Nigam Limited	56.25	354.38	1,788.41	(-)2,461.79
4	Millennium Telecom Limited (MTL)	Subsidiary of MTNL		0.27	0.14
5	Bharat Broadband Network Limited (BBNL)	100	60	933.63	1.44
6	Millennium Information System Limited	Under liquidation			
7	Indian Telephone Industries Limited	90	840.7	2,523.56	11.2
8	Tamilnadu Telecommunications Limited (TTL)	Subsidiary of TCIL		0.06	(-)9.89
9	Telecommunications Consultants India Limited (TCIL)	100	59.2	1,765.80	52.76
10	Lakhnadone Toll Road Limited	Subsidiary of TCIL		6.1	(-)3
11	Bina Toll Road Limited	Subsidiary of TCIL		17.58	1.38
Total			**6314.28**	**25630.53**	**14.17**
Department of Posts					
12	Indian Post Payment Bank	100	1255	213.13	(-)320.54
Ministry of Electronics and Information Technology					
13	National Informatics Center Services Inc.	100	2	1356.61	98.23
14	CSC e-Governance India Limited		58.26	1441.81	124.96

15	CSC WI FI CHOUPAL	Subsidiary of CSC		211.66	13.91
16	Digital India Corporation	-	-	152.76	0
Total			**60.26**	**3162.84**	**237.1**
Ministry of Finance					
Department of Economic Affairs					
17	Securities Printing and Minting Corporation of India Limited (SPMCIL)	99.99	987.5	4883.74	423.81
18	Bank Note Paper Mill India Pvt. Ltd. (BNPMIPL)	JV of SPMCIL and BRBNMPL	800	1126.46	271.21
19	Bharatiya Reserve Bank Note Mudran Pvt Ltd. (BRBNMPL)	Subsidiary of RBI	1800	2806.17	446.83
20	National Investment Infrastructure Fund Trustee Ltd. (NIIFTL)	100	0.02	0.23	0.05
Total			**3587.52**	**8816.6**	**1141.9**

Appendix- II

(Refer to Paragraph 1.12)

Summarised position of Action Taken Notes Awaited from Departments under Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY), Ministry of Finance (MoF) and Ministry of Statistics and Program Implementation (MoSPI) as of December 2021

Number and year of Audit Report		ATN Due	Not received at all	Under correspondence
Ministry of Communications				
Department of Posts				
1	3 of 2021	6	0	6
	Total	**6**	0	**6**
Department of Telecommunications				
1	4 of 2016	30	Nil	30
2	21 of 2018	1	Nil	1
3	3 of 2021	3	3	0
	Total	**34**	**3**	**31**
Ministry of Electronics and Information Technology				
1	3 of 2021	5	5	0
	Total	**5**	**5**	**0**
Department of Expenditure				
1	4 of 2018	1	NIL	1
2	12 of 2017	1	NIL	1
Total		**2**	**0**	**2**
Department of Economic Affairs				
1	6 of 2021	1	1	0
Total		**1**	**1**	**0**
Grand Total		**48**	9	**39**

Appendix - III
(Refer to Paragraph 1.13)
Summarised position of Action Taken Notes awaited from Public Sector Undertakings under MoC, MeitY and MoF as of December 2021

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	6 of 2002	1	NIL	1
4	5 of 2003	5	NIL	5
5	5 of 2004	2	NIL	2
6	5 of 2005	2	NIL	2
7	9 of 2006 (PA)	2	NIL	2
8	13 of 2006	4	NIL	4
9	10 of 2007 (PA)	1	NIL	1
10	12 of 2007	6	NIL	6
11	9 of 2008 (PA)	1	NIL	1
12	CA 10 of 2008	1	NIL	1
13	CA 12 of 2008	6	NIL	6
14	9 of 2009-10	1	NIL	1
15	CA 25 of 2009	5	NIL	5
16	10 of 2010-11 (PA)	1	NIL	1
17	3 of 2011-12	3	NIL	3
18	8 of 2012-13	2	NIL	2
19	17 of 2014	3	NIL	3
20	20 of 2015	5	NIL	5
21	55 of 2015	1	NIL	1
22	29 of 2016	2	NIL	2
23	21 of 2017	1	NIL	1

Number and year of Audit Report		ATN Due	Not received at all	Under correspondence
24	21 of 2018	1	NIL	1
25	3 of 2021	2	2	0
	Total	**62**	**2**	**60**
Mahanagar Telephone Nigam Limited				
1	3 of 1999	1	NIL	1
2	5 of 2004	1	NIL	1
3	10 of 2007 (PA)	1	NIL	1
4	12 of 2007	1	NIL	1
5	CA 12 of 2008	1	NIL	1
6	25 of 2009-10	1	NIL	1
7	17 of 2014	1	NIL	1
8	21 of 2017	1	NIL	1
	Total	**8**	**0**	**8**
ITI Limited				
1	10 of 2007	1	NIL	1
2	12 of 2007	2	NIL	2
3	12 of 2008	1	NIL	1
4	3 of 2021	1	1	0
	Total	**5**	**1**	**4**
Ministry of Electronics and Information Technology				
National Informatics Centre Services Inc.				
1	21 of 2017	1	NIL	1
2	55 of 2015	1	NIL	1
3	3 of 2021	1	1	0
Total		**3**	**1**	**2**
Grand Total		**78**	**4**	**74**

APPENDIX-IV
(Refer to Paragraph 1.14)

Details of Certification and submission of Accounts in respect of Autonomous Bodies (ABs) for the year 2019-20

Sr No.	Name of Orgaisation	Administrative Ministry	Due date of submission of A/Cs	Actual Date of submission of A/Cs	Period of Audit	Date of sending comments to Hqrs	Date of Hqrs approval	Due date of Certificate/SAR	Actual Date of Certificate/ SAR	Total Delay in days	Reason for delay	Date of Placement in Parliament
1	UIDAI	Electronic & IT	30-Jun-20	9-Jul-20	20/07 to 17/08	11-04-2020	2-Dec-20	6-Nov-20	4-Dec-20	28	Procedural delays	Lok Sabha-17.03.2021 Rajya Sabha-18.03.2021
2	TRAI	Communications	30-Jun-20	29-Jul-20	4/8 to 24/8	22/09/2020	16-Oct-20	26-Nov-20	21-Oct-20	No delay	NA	Lok Sabha-10.02.2021 Rajya Sabha-11.02.2021

Details of Certification and submission of Accounts in respect of Public Sector Undertakings (PSUs) for the year 2019-20

Sr No.	Name of Orgaisation	Administrative Ministry	Due date of submission of A/Cs	Actual Date of submission of A/Cs	Period of Audit	Date of sending comments to Hqrs	Date of Hqrs approval	Due date of Certificate/SAR	Actual Date of Certificate/ SAR	Total Delay in days	Reason for delay
1	BSNL	Communications	30-Jun-20	14-Aug-20	24/8 to 25/9	20/10/2020	02-Nov-20	13-Oct-20	02-Nov-20	20	Procedural delays
2	BTCL	Communications	30-Jun-20	27-Jul-20	Not audited			25-Sep-20	07-Aug-20	No Delay	NA
3	MTNL	Communications	30-Jun-20	04-Aug-20	10/8/ to 4/9	11-05-2020	04-Dec-20	03-Oct-20	04-Dec-20	62	Procedural delays
4	MTL	Communications	30-Jun-20	06-Aug-20	Not audited			05-Oct-20	13-Aug-20	No Delay	NA
5	CSC e-Gov Services Ltd.	Electronic & IT	30-Jun-20	09-Oct-20	14/10 to 4/11	Not sent	Not Applicable	08-Dec-20	02-Dec-20	No Delay	NA
6	CSC Wi-Fi Choupal	Electronic & IT	30-Jun-20	31-Aug-20	Not audited			30-Oct-20	05-Nov-20	6	Procedural delays
7	ITI	Communications	30-Jun-20	08-Jul-20	13/7 to 14/8	15/9/2020		06-Sep-20	19-Oct-20	43	Procedural delays
8	TCIL	Communications	30-Jun-20	20-Aug-20	7/9 to 18/9	Not sent	Not Applicable	19-Oct-20	23-Oct-20	4	Procedural delays

9	TCIL LTRL	Communications	30-Jun-20	10-Sep-20	Not audited			09-Nov-20	11-Sep-20	No Delay	NA
10	TCIL BTRL	Communications	30-Jun-20	28-Aug-20	Not audited			27-Oct-20	04-Sep-20	No Delay	NA
11	TTL	Communications	30-Jun-20	24-Aug-20	Not audited			23-Oct-20	24-Sep-20	No Delay	NA
12	IPPB	Communications	30-Jun-20	04-Aug-20	17/8 to 21/8	Not sent	Not Applicable	03-Oct-20	08-Oct-20	5	Procedural delays
13	NICSI	Electronic & IT	30-Jun-20	30-Jul-20	17/8 to 27/8	28/9/2020	23-Oct-20	28-Sep-20	23-Oct-20	25	Procedural delays
14	BBNL	Communications	30-Jun-20	10-Nov-20	17/11 to 26/11	16/12/2020	22-Dec-20	09-Jan-21	22-Dec-20	No Delay	NA
15	DIC	Electronic & IT	30-Jun-20	17-Nov-21	23/11 to 13/12 2021	Not sent	not applicable	16-Jan-22	18-Jan-22	2	Procedural delays
16	SPMCIL	Finance	30-Jun-20	24-Aug-20	1/9 to 25/9	11-04-2020	19-Nov-20	23-Oct-20	19-Nov-20	27	Procedural delays
17	BRBNMPL	Finance	30-Jun-20	19-Oct-20	27/10 to 17/11	Not sent	Not Applicable	18-Dec-20	09-Dec-20	No Delay	NA
18	BNPMIPL	Finance	30-Jun-20	28-Sep-20	5/10 to 9/10	Not sent	Not Applicable	27-Nov-20	05-Nov-20	No Delay	NA
19	MISL	Electronic & IT	30-Jun-20	Under Liquidation						0	

Details of Certification and submission of Accounts in respect of Autonomous Bodies (ABs) for the year 2020-21

Sr No.	Name of Orgaisation	Administrative Ministry	Due date of submission of A/Cs	Actual Date of submission of A/Cs	Period of Audit	Date of sending comments to Hqrs	Date of Hqrs approval	Due date of Certificate/SAR	Actual Date of Certificate/ SAR	Total Delay in days	Reason for delay	Date of Placement in Parliament
1	UIDAI	Electronic & IT	30-Jun-21	26-Jul-21	4-8-21 to 24-9-21	7-Dec-21	31-Dec-21	23-Nov-21	31-Dec-21	38	Procedural delays	YET TO BE PLACED
2	SEBI	Ministry of Finance	30-Jun-21	27-Jul-21	26/7 to 24/8 & 20/9 to 28/9 2021	10-Nov-21	1-Dec-21	24-Nov-21	2-Dec-21	8		7-2-22 Lok Sabha YET TO BE PLACED Rajya Sabha
3	TRAI	Communications	30-Jun-21	3-Sep-21	14/9 to 04/10	30-Nov-21	16-Dec-21	1-Jan-22	16-Dec-21	No Delay	NA	16-3-22 Lok Sabha 25.03.22 Rajya Sabha

Details of Certification and submission of Accounts in respect of Public Sector Undertakings (PSUs) for the year 2020-21											
Sr No.	**Name of Orgaisation**	**Administrative Ministry**	**Due date of submission of A/Cs**	**Actual Date of submission of A/Cs**	**Period of Audit**	**Date of sending comments to Hqrs**	**Date of Hqrs approval**	**Due date of Certificate/SAR**	**Actual Date of Certificate/ SAR**	**Total Delay in days**	**Reason for delay**
1	BSNL	Communications	30-Jun-21	28-Jun-21	29-6 to 6-8	10-Sep-21	13-Oct-21	27-Aug-21	13-Oct-21	47	Procedural delays
2	BTCL	Communications	30-Jun-21	1-Jul-21	Not audited			30-Aug-21	19-Jul-21	No Delay	NA
3	MTNL	Communications	30-Jun-21	6-Jul-21	12-7 to 13-8	15-Sep-21	11-Oct-21	4-Sep-21	11-Oct-21	37	Procedural delays
4	MTL	Communications	30-Jun-21	12-Jul-21	Not audited			10-Sep-21	11-Aug-21	No Delay	NA
5	CSC e-Gov Services Ltd.	Electronic & IT	30-Jun-21	25-Oct-21	9-11 to 17-12	23-Dec-21	18-Jan-22	24-Dec-21	18-Jan-22	25	Procedural delays
6	CSC Wi-Fi Choupal	Electronic & IT	30-Jun-21	22-Sep-21	Not audited			21-Nov-21	5-Oct-21	No Delay	NA
7	ITI	Communications	30-Jun-21	30-Jun-21	5/7 to 20/7	16-Aug-21	10-Sep-21	29-Aug-21	10-Sep-21	12	Procedural delays
8	TCIL	Communications	30-Jun-21	6-Sep-21	Not audited			5-Nov-21	27-Sep-21	No Delay	NA
9	TCIL LTRL	Communications	30-Jun-21	6-Sep-21	Not audited			5-Nov-21	9-Sep-21	No Delay	NA
10	TCIL BTRL	Communications	30-Jun-21	6-Sep-21	15/9 to 20/9	Not sent	Not applicable	5-Nov-21	27-Sep-21	No Delay	NA
11	TTL	Communications	30-Jun-21	25-Aug-21	Not audited			24-Oct-21	1-Sep-21	No Delay	NA
12	IPPB	Communications	30-Jun-21	3-Aug-21	10/8 to 27/8	Not sent	Not applicable	2-Oct-21	22-Oct-21	20	Procedural delays
13	NICSI	Electronic & IT	30-Jun-21	2-Aug-21	16/8 to 31/8	29-Sep-21	22-Oct-21	1-Oct-21	22-Oct-21	21	Procedural delays
14	BBNL	Communications	30-Jun-21	11-Oct-21	22/10 to 3/11	Not sent	Not applicable	10-Dec-21	24-Nov-21	No Delay	NA
15	DIC	Electronic & IT	30-Jun-21	24-Jan-22	Not audited	Not sent	Not applicable	25-Mar-22	8-Feb-22	No Delay	NA
16	SPMCIL	Finance	30-Jun-21	9-Aug-21	16/8 to 10/09	8-Oct-21	22-Oct-21	8-Oct-21	22-Oct-21	14	Procedural delays
17	BRBNMPL	Finance	30-Jun-21	28-Oct-21	2/11 to 23/11	8-Dec-21	20-Dec-21	27-Dec-21	20-Dec-21	No Delay	NA

18	BNPMIPL	Finance	30-Jun-21	27-Jul-21	27/7 to 30/7	Not sent	Not applicable	25-Sep-21	1-Sep-21	No Delay	NA
19	NIIFTL	Finance	30-Jun-21	5-Oct-21	25/10 to 29/10	Not sent	Not applicable	4-Dec-21	29-Nov-21	No Delay	NA
20	MISL	Electronic & IT	30-Jun-21	Under Liquidation						0	NA

Annexure- 3.1
(Refer to Paragraph 3.1.15.2)

Statement showing the details of POSB Accounts / Certificates closed in Sanchay Post package and migrated to Finacle of Core Banking Solution (CBS) as Live Accounts

(Amount in ₹)

Sl. No.	Circle Name	Type of Scheme/ Account	Amount of POSB Accounts (MIS/RD/ TD/SCSS)	Amount of Certificates (NSC/KVP/ NSS)	Total Amount
1	Andhra Pradesh	MIS/KVP/NSC/SCSS/ RD/TD	32,900,020	7,118,000	40,018,020
3	Assam	KVP/MIS/TD	29,050,600	4,493,500	33,544,100
4	Bihar	KVP/NSC	-	29,612,000	29,612,000
2	Delhi	NSC/KVP/MIS/SCSS	452,372,000	2,589,000	454,961,000
5	Haryana	MIS	49,250,000	-	49,250,000
6	Himachal Pradesh	MIS	11,721,000	-	11,721,000
7	Jammu & Kashmir	KVP	-	2,490,500	2,490,500
8	Jharkhand	MIS/NSS/SCSSS/NSC/ KVP	4,204,500	777,181,673	781,386,173
9	Maharashtra	NSC/KVP/MIS/NSS/RD/ TD/NSC/KVP	74831800	302,910,509	377,742,309
10	Madhya Pradesh	NSC/KVP	-	6,532,889	6,532,889
11	Odisha	MIS/KVP/NSC/TD/NSS/ SB	171,978,800	6,129,828	178,108,628
12	Rajasthan	MIS/TD/SCSS/RD	130,202,950	-	130,202,950
13	Tamil Nadu	NSC/KVP	-	153,014,297	153,014,297
14	Uttar Pradesh	KVP	-	206,469,000	206,469,000
15	Uttarakhand	NSC/KVP/SB/RD/TD/ NSS/SCSS	56,389,000	57,410,000	113,799,000
Total			**1,012,900,670**	**1,555,951,196**	**2,568,851,866**

Annexure-3.2
(Refer to Paragraph 3.1.15.2)
Statement showing the details of Live POSB Accounts / Certificates not migrated from Sanchay Post Package to Finacle of Core Banking Solution (CBS)

(Amount in ₹)

Sl. No.	Circle Name	Type of Scheme/ Account	Total Amount
1	Assam	RD/MIS/NSC/KVP	27,097,200
2	Bihar	MIS/RD/TD/SB/SCSS/PPF/NSC/KVP	23,343,971
3	Chhattisgarh	NSC/KVP/	2,589,281
4	Delhi	NSC/KVP/MIS/PPF/RD/TD/SB	4,881,450
5	Gujarat	NSC/KVP	31,183,492
6	Haryana	NSC/KVP	7,703,478
7	Jharkhand	PPF/RD/MIS/SCSS/SB/NSS/KVP/NSC	8,301,064
8	Karnataka	NSC/KVP	6,734,090
9	Maharashtra	RD/NSC/KVP/IVP/NSS	13,363,789
10	Punjab	POSB accounts	9,167,594
11	Rajasthan	MIS/RD/SB/SCSS/TD/NSS/KVP/NSC	28,275,085
12	UP	NSC/KVP/RD/TD/SCSS/SB/PPF/MIS/NSS	162,910,890
13	Uttarakhand	NSC/KVP	3173000
14	WB	NSC/KVP	100,962,204
TOTAL			**429,686,588.00**

Annexure-3.3
(Refer to Paragraph 3.1.15.6)
Statement showing the difference of amounts due to non-reconciliation of load layer report of Sanchay Post Package and Go live report of Finacle at the time of migration

(Amount in ₹)

Sl. No.	Name of Circle	Difference in Sanchay Post & Finacle Data
1	Andhra Pradesh	62,000
2	Bihar	69,357,180
3	Chhattisgarh	120,000
4	Haryana	3,814,631
5	Himachal Pradesh	31,573,908
6	Jammu & Kashmir	1,443,749
7	Maharashtra	72,582
8	North East	66,491,096
9	Odisha	1,830,688
10	Punjab	1,303,372
11	Rajasthan	19756719
12	Tamil Nadu	39,650
13	Uttarakhand	81,950
14	Uttar Pradesh	94,710,149
15	West Bengal	70,597,002
Total		**361,192,676**

Annexure-3.4
(Refer to Paragraph 3.3.1)
Statement showing Blockade of capital due to Aadhar enrolment kits not in operation & centers with NIL business

S. No.	Name of circle	No of Kits procured and Installed	Total No. of kits not in operation (including nil business	Cost of one kit (₹)	Blockade of capital (₹)
1	Delhi	261	14	137500	1925000
2	Andhra Pradesh	578	0	112339	0
3	Assam*	216	28	105399	2951172
4	Bihar	582	262	130500	34191000
5	Chhatisgarh	161	47	136814	6430258
6	Gujrat	878	25	119500	2987500
7	Haryana	289	10	119750	1197500
8	HP	263	13	117322	1525186
9	J&K	87	31	105399	3267369
10	Jharkhand	200	4	134520	538080
11	Karnataka	869	1	137500	137500
12	Kerala	1050	117	117300	13724100
13	MP	473	54	136500	7371000
14	Maharashtra	1293	48	142500	6840000
15	North East*	121	61	105399	6429339
16	Odisha	473	77	137000	10549000
17	Punjab	503	443	137250	60801750
18	Rajasthan	600	33	122744	4050552
19	Tamilnadu*	1435	34	105399	3583566
20	Telangana	266	0	0	0
21	Uttarakhand	214	58	113790	6599820
22	Uttar Pradesh	1425	93	142500	13252500
23	West Bengal	1116	523	132299	69192377
	Total	**13353**	**1976**		**25,75,44,569**

***Rate of Kit not available. Hence the lowest per kit value taken**

Annexure – 3.5
(Refer to Paragraph 3.5)

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
A. Cases of fraudulent withdrawals by Postal Staff from the closed accounts showing them as live accounts during pre/post migrations of accounts from Sanchay Post to Core Banking Solution:											
1	Kolkata	West Bengal	Sinthee Post Office, North Kolkata	Misappropriation of money from closed account after creation of fake SB account by the Sub Post Master in connivance with other staff	During transition from Sanchaypost to Finacle software in CBS, some manually closed accounts got migrated as live accounts in Finacle. The SPM opened fake SB accounts without any KYC documents in connivance with other staff. From these fake account, SPM withdrew the money.	05.01.18	11.10.19	14.10.2019	5,59,09,350.00	51,872.00	5,58,57,478.00
2	Kapurthala	Haryana	NH 2 Faridabad SO, Haryana	Failure to verify the correctness of migrated data from Sanchay Post to Finacle softwarer in CBS, led to Misappropriation/ loss of Govt money at NH-2 Faridabad SO	Already closed SB accounts of Sanchay Post software had been activated/revived with fake deposit entries operated by pseudo name and making withdrawals fraudulently.	Dec'2014	30.4.19	06.04.19	11,16,95,734.00	56,64,804.00	10,60,30,930.00
3	Hyderabad	Andhra Pradesh	RJN Colony, TSO, Gudivada region	SB/RD/TD/MIS Frauds in Rajendranagar Colony TSO under Guvidada Division	SPM Rajendranagar re-closed the already closed accounts in sanchay Post during migration to Finacle (CBS). The balances at the time of migration to Finacle were changed and withdrawn later.	Under progress	Under progress	12.02.20	43,66,270.00	-	43,66,270.00
4	Ahmedabad	Gujarat	Polytechnic PO, Ahmedabad City Dvn	Misappropriation of Govt. money by re-opening and re-closing of dummy RD accounts after	Misappropriation of Govt. money by re-opening and re-closing of dummy RD accounts after withdrawing the amount by the MPKBY agent in connivance with the SPM at Polytechnic SO	17.04.14	07.02.17	04.06.20	21,86,58,276.00	1,70,000.00	21,84,88,276.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
				withdrawing the amount by the MPKBY agent in connivance with the SPM at Polytechnic SO							
5	Ahmeda bad	Gujarat	Ravalwadi SO of Kutch Division	MPKBY agent in connivance with SPMs of Ravalwadi SO of Kutch Division committed fraud of ₹19.74 crore.	MPKBY agent in conninvace with the SPM used to close the RD accounts opened in their agency by single and multiple fake closure of previously closed RD accounts and current RD and MIS / TD / SCSS accounts without the knowledge of account holders by creating fictitious documents i.e. SB-3, ledger card, Passbook and SB-7A. The working SPMs facilitated the malpractices of the principal offender by handing over amount of such fake closures in cash and cheques to him without proper checking of office records with the documents produced at the time of closure and by allowing him (an unauthorized person) to do the day to day work of the PO by giving him all kind of access in manual office record as well as computer system of office in departmental programs i.e. Sanchay Post and Finacle.	24.11.10	23.03.20	13.11.19	19,75,68,705.00	38,14,197.00	19,37,54,508.00
6	Nagpur	Maharas htra	Pargaon Sub Post Office	SPM committed fraud by reclosing the already closed accounts.	SPM reclosed CRD accounts which were already closed by the concerned depositors by using the original SB-3 cards and correcting CRD denomination on SB-3 cards	15.04.2014	22.08.2016	05.11.2016	1,92,68,544.00	2,24,79,787.00	-

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
					account closed with maturity value of enhanced denomination. He had closed the account by hard cash even for amount exceeding ₹ 20000/-. SPM prepared the SB-7 vouchers and himself made forged signatures of depositor on the SB-7 on application and warrant of withdrawal forms.						
7	Nagpur	Maharashtra	Gondia City SO	SPM of Gondia City SO commited fraud by reopening of RD accounts which were closed in the system i.e. Sanchay Post and made fake deposit entries and subsequently withdrew the amount from these accounts.	SPM reopened the already closed RD accounts with fake deposits and subsequently, withdrew the amount from these SB accounts.	17.09.2010	27.01.2015	28.02.2015	1,30,23,541.00	37,28,832.00	92,94,709.00
TOTAL									**62,04,90,420.00**	**3,59,09,492.00**	**58,77,92,171.00**
B. Cases of manipulation of database by opening fake accounts and made subsequent withdrawals:											
8	Kapurthala	Punjab	Rurka Kalan SPO, DG Nakodar SPO	Misappropriation of Govt money at Dakhni Gate Nakodar NDTSO for ₹ 8.55 crore due to lack of improper compliance of internal control mechanism	SBM Opened Fake (SB) accounts/making fake deposit entries in Finacle without accounting the same in Govt. account, Enhanced the denomination of RD (Recurring Deposits) accounts by inserting additional Zero in the figure in sanchey post software without accounting for the enhanced amount into Govt. account, accepted deposit from the	03.02.2014	05.10.2017	09.10.2017	8,55,14,712.00	14,29,000.00	8,40,85,712.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
					depositors, made entry in the passbook/system but did not account for the same in Govt. account etc., made withdrawals from the accounts of depositor by forging the signature of depositor, in some cases he also used to replenish the said amount (the amount that has been withdrawn from the accounts of depositor by forging signature of the depositor) in the system by making fake deposits entries in finacle, issued KVPs to depositor without accounting for the same in government account and made fake deposits in the accounts of genuine account holders and amount of fraudulent entries had not been accounted for into Government account.						
9	Chennai	Tamil Nadu	Perumanal BO	Misappropria-tion of Govt. money at Perumanal BO	GDS BPM took part withdrawals from RD accounts without the knowledge of account holders and made entires in pass books, opened bogus TD accounts using the lapsed RD passbooks.	23.05.2014	18.01.2016	18.01.2016	20,92,088.00	9,21,426.00	11,70,662.00
10	Chennai	Tamil Nadu	Alambadi BO along with Kurumbarlur SO in Srirangam Division	Misappropria-tion of Govt. money at Alambadi BO	GDS MD and GDS BPM booked for suppression of deposits, unaccounted withdrawal, bogus account opening	13.2.2009	28.10.2017	30.10.2017	23,04,413.00	10,18,427.00	12,85,986.00
11	Chennai	Tamil Nadu	Settikulam BO, Southern Region	Misappropria-tion of Govt. money at Settikulam BO	GDS BPM suppressed deposits made in SB accounts and made fraudulent withdrawals from SB Accounts	21.9.2012	29.6.2017	4.7.2017	21,37,919.00	18,42,000.00	2,95,919.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
12	Cuttack	Odisha	Gorumahisani SO, Mayurbhanj Division	SB fraud by manipulation of Sanchaya Post Database at Gorumahisani SO in account with Rairangpur HO under Mayurbhanj Division	SPM manipulated the TD/RD/MIS database and opened fictitious accounts by changing the date of opening of account/name/amount etc in Sanchay post software and withdrew amount from fictitious SB account opened against these TD/RD/MIS accounts	25.11.13	24.02.21	11.03.21	4,86,34,345.00	4,91,35,056.00	-
13	Cuttack	Odisha	Bhawanipatna HO	Misappropriation of Govt. money by fraudulent issue of cheques interpolating figures while discharging PLI/RPLI policies at Bhawanipatna HO	Offg. PM paid own cash on maturity to PLI/RPLI account holders and issued cheques against the same closed accounts to relatives by inflating the cheque amount and writing the actual account holders name & amount on cheque couterfoils. Treasurer maintained cash book as per counterfoil.	17.12.12	6.2.17	05.05.17	1,32,63,494.00	22,15,000.00	1,10,48,494.00
14	Hyderabad	Andhra Pradesh	Kurichedu Sub Post Office	Misappropriation of Government Money through Irregular revival of silent accounts and frauds in RD/TD/NSC accounts at Kurichedu Sub Post Office	SPM irregulary revived silent accounts/ irregular RD loan payments and issued fake pass books. Misappropriated amounts through these fake passbooks	11.05.16	05.07.19	20.08.18	58,49,927.00	12,75,810.00	45,74,117.00
TOTAL									**15,97,96,898.00**	**5,78,36,719.00**	**10,24,60,890.00**
C. Cases of non-crediting of cash deposit in the Customers Accounts:											
15	Trivendrum	Kerala	Muniyara B O, Idukki Division	SB/BD/RPLI/NREGA fraud at Muniyara B O	GDS BPM did not credit deposits to PO accounts and	4.7.2010	6.9.2013	6.9.2013	4,86,266.00	4,68,383.00	17,883.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
					also withdrew money by forging signatures of depositors						
16	Trivendrum	Kerala	Thazhathuvadakku BO	Embezzelment of cash at Thazhathuvadakku BO-SB/SSA/TD	GDS BPM did not credit deposits received into their accounts, without accounting the same in Post Office account and issued fake passbooks to depositors.	2.11.2009	2.3.2019	5.4.2019	2,44,333.00	-	2,44,333.00
17	Nagpur	Maharashtra	BPM Manjarkhed, Amravati Divison	BPM Manjarkhed commited fraud of ₹ 33.16 lakh.	BPM accepted the amount of deposits from the respective depositors in respect of SB / RD / TD Accounts, made entries in passbook, initiated against the deposit entry made by him in passbook but did not credit the same to the concerned accounts / BO account and utilized the amount for his personal purpose.	07.02.2015	13.07.2021	13.07.2021	33,16,135.00	2,43,000.00	30,73,135.00
18	Nagpur	Maharashtra	Venikotha BO, Yavatmal Division	GDS BPM Venikotha BO in a/c with Babhulgaon SO commited fraud of ₹ 54.22 lakh. Fraud came into light after a complaint was received from an outsider.	GDS BPM accepted deposits from customers, impressed the date stamp on passbooks but did not credit the amount to government accounts. In some cases he issued fake passbook with fake account no. which does not even stands in the system.	31.12.2014	15.09.2021	29.09.2021	54,22,081.00	-	4,22,081.00
19	Delhi	Delhi	Balbir Nagar SO, East Division	Misappropriation of Govt. money at Balbir Nagar SO, Delhi	SPM made manual entry in the passbooks and impressed date stamp & returned the passbooks. Amount received was not reflected in cash balance. SPM also made additional amount equal to the amount withdrawn by the account holder.	01.05.2016	14.03.2017	15.03.2017	44,40,962.00	14,37,158.00	30,03,804.00
20	Delhi	Delhi	Jagjit Nagar SO,	Misappropriation of Govt.	SPM took cash from SB account holders and made entry in	21.2.2007	10.5.2012	28.5.2012	25,08,550.00	14,59,866.00	10,48,684.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
				money at Jagjit Nagar SO, Delhi	passbooks but did not deposit in post office cash balance. He also made fraudulent withdrawals from SB Accounts.						
21	Delhi	Delhi	Lajpat Nagar	Misappropria-tion of Govt. money at Lajpat Nagar SO, Delhi	The cash deposits received by the counter PA was either not deposited and accounted in PPF/RD/SSA Accounts under Finnacle or less amounts were credited. Entries were made for correct amount in passbooks and were returned after putting date stamp.	29.09.2015	11.01.2018	31.01.2018	26,56,350.00	7,30,000.00	19,26,350.00
22	Chennai	Tamil Nadu	Ananthapuram SO, Pondicherry Dvn	Misappropria-tion of Govt. money at Ananthapuram SO	SPM did not credit cash and committed SB frauds	1.5.2014	12.10.2015	12.10.2015	37,77,457.00	34,91,595.00	2,85,862.00
23	Chennai	Tamil Nadu	NGGO Colony SO, Coimbatore Dvn	Misappropria-tion of Govt. money at NGGO Colony SO	LRPA did not credit in Finnacle amounts received in SB accounts, made fraudulent withdrawals by forged signatures of depositors.	1.6.2020	2.1.2021	7.1.2021	20,55,000.00	13,32,000.00	7,23,000.00
24	Chennai	Tamil Nadu	Koneripalayam BO	Misappropria-tion of Govt. money at Koneripalayam BO	BPM suppressed deposits made in SB/RD/TD/SSA accounts and made fraudulent withdrawals in SB Accounts	To be ascertained	To be ascertained	16.6.2021	38,78,150.00	4,03,200.00	34,74,950.00
25	Chennai	Tamil Nadu	Karaikudi Angadi BO	Misappropria-tion of Govt. money at Karaikudi Angadi BO	GDS BPM suppressed deposits and belated debits in SB/RD/SSA accounts	2.5.2018	22.11.2019	22.11.2019	9,00,818.00	9,51,425.00	-
26	Chennai	Tamil Nadu	Poolampatti BO	Misappropriation of Govt. money at Poolampatti BO	GDS BPM suppressed deposits and fraudlent withrdrawls in SB/RD/SSA accounts	21.11.2012	7.12.2016	8.12.2016	9,82,443.00	9,82,443.00	-
27	Chennai	Tamil Nadu	Melavanjore BO	Misappropria-tion of Govt. money at	GDS BPM suppressed deposits and fraudlent withrdrawls in SB/RD/SSA accounts	14.1.2015	11.12.2018	12.12.2018	5,26,686.00	5,99,080.00	-

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
				Melavanjore BO							
28	Chennai	Tamil Nadu	Pasur SO	Misappropriation of Govt. money at Pasur SO	GDS BPM suppressed deposits and fraudlent withrdrawls in SB/RD/SSA accounts	11.01.2012	19.05.2014	23.06.2016	13,38,742.00	13,80,523.00	-
29	Chennai	Tamil Nadu	Pothumbu BO	Misappropriation of Govt. money at Pothumbu BO	GDS BPM suppressed deposits and fraudlent withrdrawls in SB/RD/SSA accounts	16.6.2015	8.8.2017	9.8.2017	14,21,345.00	10,08,427.00	4,12,918.00
30	Chennai	Tamil Nadu	Sirunaickenpatti BO	Misappropriation of Govt. money at Sirunaickenpatti BO	GDS BPM suppressed deposits and fraudlent withrdrawls in SB/RD/SSA accounts	4.12.2010	17.3.2014	24.3.2014	13,67,137.00	4,15,866.00	9,51,271.00
31	Chennai	Tamil Nadu	Arakottai BO	Misappropriation of Govt. money at Arakottai BO	GDS BPM suppressed deposits and belated debits in SB/RD/SSA accounts	4.1.2016	3.9.2020	7.10.2020	7,52,750.00	9,50,000.00	-
32	Chennai	Tamil Nadu	Sempatti BO	Misappropriation of Govt. money at Sempatti BO	BPM suppressed deposits made in SB/RD/TD/SSA/ RPLI accounts and made fraudulent withdrawals in SB Accounts	10.5.2014	20.2.2019	20.2.2019	18,66,748.00	13,08,660.00	5,58,088.00
33	Chennai	Tamil Nadu	Pachapalyam BO	Misappropriation of Govt. money at Pachapalyam BO	Postal staff committed fraud by non credit of deposit / excess withdrawal / forged withdrawal etc	25.07.2013	29.12.2017	02.01.2018	25,23,227.00	25,34,339.00	-
34	Cuttack	Odisha	Malkangiri Colony SO	Misappropriation of office cash and fraud in bogus MIS/ TDs at Malkangiri Colony S.O. under Jeypore (K) H.O. in Koraput Postal Division	The cash received from depositors under various PO schemes were not deposited into cash balance and fake daily transaction report was submitted to HO without reflecting actual cash balance.	13.7.17	19.8.19	18.1.21	1,29,86,488.00	-	1,29,86,488.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
35	Cuttack	Odisha	Aharpada BO	SB fraud at Aharpada BO in account with Gujidarada SO under Bhadrak Division due to lack of internal controls.	GDS BPM did not enter the actual balances of deposits & withdrawals in the Finnacle system and used the depositors money. Passbooks were never called for by the GDS BPM for annual interest entry as per POSB rule 75.	2.11.06	27.1.16	28.01.16	35,24,976.00	20,05,000.00	15,19,976.00
36	Hydera-bad	Telangana	Industrial Estate SO	Shortage of cash at Industrial Estate SO Mahabubnagar	SPM did not credited the amounts of the deposits on many occasions under the scheme PPF. The figures charged under deposits and withdrawals of SB, RD,MIS,TD,NSC and KVP were shown either excess or short than actual amounts to be charged in the daily accounts. The SPM failed to tally the account on daily basis	29.9.18	12.12.18	12.12.18	15,72,723.00	5,06,820.00	10,65,903.00
37	Hydera-bad	Telangana	Motlapalli BO	Shortage of cash and SB frauds committed by GDS BPM, Motlapalli BO	BPM collected the amount from policy holders but did not credit in the RPLI books. He retained excess cash for months together and made deposits in RICT device after completion of EOD in FINACLE at SOIn some cases he made deposits through RICT device and not remitted cash	31.03.02	12.09.17	12.9.17	16,06,940.00	5,43,800.00	10,63,140.00
38	Hydera-bad	Telangana	Vallabhapur BO	Shortage of cash and misappropria-tion of amount in respect of RD/SB/SSA/R PLI/SB etc. committed by GDS BPM, Vallabhapur	GDS BPM impressed date stamp and handed over the pass books to costumers but did not account the amount in the post office accounts. Further the BPM had stolen some pass books which he issued to SSA customers with seven digit account number instead of ten digit FINACLE account number	1.4.14	1.1.20	14.1.20	14,01,205.00	7,74,535.00	6,26,670.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
					and maintained the account parallel without accounting the deposits amount in to Govt. accounts.						
39	Hydera-bad	Telangana	Kotapalli SO	Misappropria-tion of cash by Sub Postmaster (SPM), Kotapalli	SPM Kotapalli SO was maintaining huge balances. Accordingly the ASP,Mancherial Sub-Division visited Kotapalli,SO and found shortage of cash	20.04.20	20.04.20	20.4.20	11,85,998.00	6,50,000.00	5,35,998.00
40	Hydera-bad	Andhra Pradesh	Jinnuru SO	Misappropria-tion in SB/RD/SSA/ TD frauds committed by SPM-Jinnuru SO in Bhimavaram Division	SPM Jinnuru collected amounts from SB/RD/SSY depositors making entries in the pass books but failing to credit the amounts to Post Office accounts	24.12.12	28.4.16	24.08.16	1,22,35,335.00	33,99,570.00	88,35,765.00
41	Hydera-bad	Andhra Pradesh	Koida BO	SB/RD/KVP Misappropria-tion at Koida BO in account with Kukunoor SO under Eluru Division	BPM Koida accepted the deposits from villagers in respect of RD/SB accounts,RPLI surrender/purchase applications but did not take the amounts into PO accounts.BPM also closed RD accounts withoiut the consent of account holders and opened fake SB accounts.	2015	2020	08.01.21	10,81,602.00	-	10,81,602.00
42	Hydera-bad	Andhra Pradesh	Murumuru BO	Alleged frauds in SB/RD/MIS/T D/RPLI accounts by the BPM Murumuru BO A/C with Thotapalli SO	BPM himself issued pass books unsing the BO date stamp and assigned ficticious account numbers issued by the account office i.e. Thotapalli SO	29.12.2009	07.12.2015	16.12.2015	67,40,925.00	28,25,000.00	39,15,925.00
43	Jaipur	Rajasthan	Chhapuda Kalan BO	Misappropria-tion of	GDS BPM misappropriated money of SB, FD, SSY account	Under Progress	Under Progress	27.7.21	3,00,600.00	-	3,00,600.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
				depositors money by irregular withdrawal by GDS BPM, Chhapuda Kalan BO	holders by not deposited the amount into the concerned account or withrew money without the consent of the holders by producing fake vouchers.						
44	Jaipur	Rajasthan	Pairwa BO	Misappropria-tion at Pairwa BO	GDSBPM made forged withdrawals from SB accounts by making forged RD/TD passbooks and accepted deposits which are not accounted for in the respective accounts.	Under Progress	Under Progress	03.02.21	29,25,808.00	2,45,000.00	26,80,808.00
45	Jaipur	Rajasthan	Akola SO	Misappropria-tion of deposits under Senior Citizens and SB accounts at Akola SO	SPM did not accounted the depositors money in the concerned accounts even the withdrawal from bank to Akola SO and remittance sent by BO's to Akola SO were not accounted for.	15.12.16	14.05.19	20.09.19	23,08,332.00	19,48,498.00	3,59,834.00
46	Nagpur	Maha-rashtra	Jamgaon BO, Beed SPO	GDS BPM of Jamgaon BO committed fraud of ₹ 33.06 lakh. Fraud came into light after complaints werer received from SB / RD / SSA account holders.	GDS BPM accepted deposits from account holders but did not credit the amount to Government accounts.	Jan-14	Sep-19	Sep-20	33,06,318.00	27,710.00	32,78,608.00
TOTAL									**9,16,42,430.00**	**3,26,21,898.00**	**5,93,93,676.00**
D. Cases of fradulent withdrawals from customers Savings Accounts with fake signatures / thumb impressions:											
47	Kolkata	West Bengal	Ramchandra-pur SO, Tamluk Division	Misappropria-tion of Govt. money at Ramchandrapur SO, Tamluk Division	Amount was withdrawn from the account using fake signature of the depositor by SPM but was not shown in the pass book	9.2.14	20.9.18	23.10.18	2,98,69,853.00	42,47,500.00	2,56,22,353.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
48	Nagpur	Mahara-shtra	Vansadi SO, Chanda Dvn, Chandrapur	SPM Vansadi SO commited fraud and missapropria-tion of office cash amounting to ₹ 36.10 lakh.	SPM had withdrawn the amount from the SB accounts without the knowledge of depositors with fake signature / thumb impression of the depositors on SB-7 but did not paid to the depositors and use these amounts for his personal benefits.	15.11.2016	22.09.2017	23.09.2017	36,09,592.00	28,09,060.00	8,00,532.00
49	Chennai	Tamil Nadu	Tiruvallur HO, Kanchipuram Dvn	Misappropria-tion of Govt. money at Tiruvallur HO	SPM made fraudulent multiple closures and part withrdrawal in RD accounts	2007	2011	14.03.2016	45,69,714.00	40,61,146.00	5,08,568.00
50	Jaipur	Rajasthan	Bassi Chak SO, Jaipur Dvn	Misappropriation of depositors money by irregular withdrawal by PA, Bassi Chak SO	PA made irregular withdrawal of depositors money without their consent and in one case after the death of the depositor and deposited into another A/c by producing fake vouchers.	Under Progress	Under Progress	11.9.20	6,88,000.00	-	6,88,000.00
51	Jaipur	Rajasthan	Pratapgarh SO, Alwar HPO	Misappropria-tion in SB Accounts at Pratapgarh SO, Alwar HPO	SPM withdrew money from 6 SB Account without the knowledge of the depositers by producing fake claims.	Under Progress	Under Progress	11.3.19	21,04,000.00	-	21,04,000.00
TOTAL									**4,08,41,159.00**	**1,11,17,706.00**	**2,97,23,453.00**
E. Cases of fraudulent cases due to unauthorised use of Pass Words:											
52	Kapur-thala	Jammu & Kashmir	Udhampur HO	Alleged misappropria-tion of Government money of INR 1.03 crore	Non disabling of Supervisory password during leave period led to misuse by Officiating SPM in connivance with HO Udhampur PA's and transferred 4 SB accounts to the SO, made entries of fake deposits without mention in LOT and again transferred the 4 SB ac back to Udhampur HPO. Misappropriation was also done in PPF/KVP & MIS accounts.	28.04.2017	15.07.2017	Mar-18	1,58,37,400.00	-	1,58,37,400.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
53	Triven-drum	Kerala	Muthukulam South SO	POSB frauds at Muthukulam South SO	Non disabling of Supervisory password during leave period led to misuse by Officiating SPM	01.07.2018	30.04.2019	07.02.20	21,01,000.00	13,00,000.00	8,01,000.00
54	Kolkata	West Bengal	Suri HO, Birbhum Divisional Office	Misappropria-tion of Govt. money at Suri HO, Birbhum Divisional Office	OA, Divisional office transferred Govt Money from Postmaster's DBT account(410) into SB accounts using the finacle user ids and passwords of different Offg. Postmasters, staffs of Suri HO & Divisional Office posted during 12-08-2017 to 24-06-2020.He withdrew defrauded money through ATM by issuing ATM cards using finacle User ID and Password of Officials of Divisional office and verified using ID and passwords of Supervisor.	12.8.17	24.6.20	16.7.20	1,01,02,187.00	12,36,228.00	88,65,959.00
55	Kapur-thala	Haryana	BPM Rohti, Islamabad SO	Misappropria-tion of Govt Money by GDS BPM Rohti – ₹ 18.98 Lakhs.	BPM Rohti gave his Mobile with IPPB Micro ATM App along with his ID & IPPB application to one outsider Sh. Sandeep for making transactions of IPPB account holders on daily basis who further shared all information with servant of BPM Rohti Sh. Anmol. Both outsiders transferred amount of different IPPB accounts to their own / relative's accounts which subsequently were, withdrawn.	07.08.2020	20.03.2021	20.03.21	19,19,610.00	1,72,000.00	17,47,610.00
TOTAL									**2,99,60,197.00**	**27,08,228.00**	**2,72,51,969.00**
F. Cases of Fraudulent cases by staff in connivance with outsiders through fake accounts:											
56	Lucknow	Uttar Pradesh	Dudhaila Kalan BO, Ballia Division	Fraud commited by BPM Dudhaila Kalan in	BPM in connivance with an outsider, opened various IPPB Current and Saving Accounts in the name of relatives of outsider, made deposits and subsequently transferred the	19.03.2019	09.06.2020	10.06.2020	34,38,904.00	29,88,000.00	4,50,904.00

Sl. No	Name of BAO	Name of Postal Circle	Name of Post Office	Brief of case	Modus operandi	Period of irregularity From	Period of irregularity To	Date of detection by department	Amount of loss/ fraud/theft/ misappropriation	Amount recovered	Balance pending recovery
				connivance of outsider	amount in another accounts of different Banks and withdrew the same later on. It was found that though deposits were shown in the IPPB Accounts (through device) but cash was not being physically deposited in those Accounts. Since no cash was being physically deposited or received in BO, hence these were not being reflected in BO daily Account.						
57	Cuttack	Odisha	Lachipeta SO in Koraput Division	Fraud case relating to misappropriation of office cash by Sri Biswanath Podiami, Sub-Postmaster, Lachipeta SO in Koraput Division	Cash was transferred by SPM through CBS to his IPPB Account and thereon to his different bank accounts through NEFT/RTGS	29.8.19	31.12.20	31.12.20	1,00,72,699.00	7,01,288.00	93,71,411.00
TOTAL									**1,35,11,603.00**	**36,89,288.00**	**98,22,315.00**
GRAND TOTAL									**95,62,42,707.00**	**14,38,83,331.00**	**81,64,44,474.00**
										Total Amount of fraud	**95,62,42,707**
		*** There is excess recovery in respect of cases at Sl. No. 6,12,25,27,28,31, and 33 amounting to ₹ 3211243, 500711, 50607, 72394, 41781, 197250 and 11112 respectively with a total of ₹ 4085098 which have been mentioned as "0" recoverable in the annexure.**								Amount recovered	-14,38,83,331
										Net Recoverable after netting the excess recoveries.	**81,23,59,376**
										Total Excess recovered amount Amount treated as 0 in the Annexure	40,85,098
										Actual Recoverable	**81,64,44,474**

Annexure – 4.1
(Refer to Para graph 4.1.2.5)

Statement showing Mobilisation Advance paid to Project Management Consultants (PMCs) in connection with Campus Development & building Construction Projects of NIELIT in North Eastern Region

Sl. No.	Name of the PMC	Name of NIELIT Centre/Extension Centre	Amount of Mobilisation advance released (₹ in Lakh)	Date of release of mobilisation Advance	Amount Adjusted / Settled / Refunded of Mobilisation Advance (₹ in Lakh)	Date of adjustment	Balance of Mobilisation Advance lying with PMCs as of 31-03-2020 (₹ in Lakh)	Number of days balance lying unadjusted (till 31-03-2020)	Rate of interest per annum	Potential Loss of Interest as on 31-03-2020 (₹ in Lakh)
1	M/s NPCC Ltd.	Imphal	130.00	14.08.2013	130.00	04.04.2019	0.00	2060	10%	73.00
2	do	Senapati	84.50	01.03.2016	0.00	_	84.50	1492	10%	35.00
3	do	Churachandrapur	84.50	01.03.2016	84.50	17.09.2019	0.00	1296	10%	30.00
4	do	Pasighat	58.00	03.09.2015	24.34	13.02.2019	33.66	1260	10%	8.00
					17.28	12.04.2019	16.38	1318	10%	6.00
					16.38	18.10.2019	0.00	1507	10%	7.00
5	do	Dibrugarg	84.50	02.09.2015	0.00	_	84.50	1673	10%	39.00
6	do	Silchar	84.50	02.09.2015	84.50	28.03.2018	0.00	939	10%	22.00
7	do	Jorhat	103.90	02.09.2015	0.00	_	103.90	1673	10%	48.00
8	do	Kokrajhar	65.20	13.12.2013	65.20	21.06.2019	0.00	2017	10%	36.00
9	do	Tura	84.50	20.02.2017	0.00	_	84.50	1136	10%	26.00
10	do	Chuchuyimlang	65.20	14.08.2013	0.00	_	65.20	2422	10%	43.00
11	M/s. HSCL Ltd	Aizwal	119.50	19.09.2013	119.50	13.06.2019	0.00	2094	10%	69.00
12	do	Lunglei	67.10	15.10.2015	0.00	_	67.10	1630	10%	30.00
13	do	Guwahati	192.30	01.10.2015	0.00	_	192.30	1644	10%	87.00
14	do	Tezpur	80.50	01.10.2015	74.8	28.04.2020	5.70	1644	10%	36.00
15	do	Shillong	202.00	18.02.2017	0.00	_	202.00	1138	10%	63.00
16	NBCC Ltd	Gangtok	200.00	30.03.2017	88.58	31.03.2020	111.42	1098	10%	60.00
			1706.20		705.08		1001.12			718.00
Total loss of interest on grant of mobilisation advance (up to 31.03.2020) is ₹ 718.00 lakh										

Annexure – 4.2
(Refer to Paragraph 4.1.2.5)
Statement showing Additional Advance paid to Project Management Consultants (PMCs) in connection with Campus Development & building Construction Projects of NIELIT in North Eastern Region

Sl. No.	Name of the PMC	Name of NIELIT Centre/ Extension Centre	Amount of Additional advance released (₹ in Lakh)	Date of released of additional Advance	Amount Adjusted / Settled / Refunded of Additional Advance (₹ in Lakh)	Date of Adjust-ment	Balance of Additional Advance lying with PMCs as on 31-03-2020 (₹ in Lakh)	Number of days balance lying unadjus-ted (till 31-03-2020)	Rate of inte-rest per annum	Poten-tial Loss of Interest as on 31-03-2020 (₹ in Lakh)
1	M/s NPCC Ltd.	Imphal	120.00	02.09.2015	120.00	02.08.2016	0.00	336	10%	11.00
2	do	Kokrajhar	90.00	17.09.2015	90.00	19.10.2016	0.00	399	10%	10.00
3	do	Silchar	84.50	17.09.2015	84.50	28.03.2018	0.00	924	10%	21.00
4	do	Dibrugarh	84.50	17.09.2015	84.50	08.01.2018	0.00	845	10%	20.00
5	do	Chuchuyimlang	70.00	24.09.2015	0.00	-	70.00	1651	10%	32.00
6	do	Jorhat	104.00	17.09.2015	104.00	20.02.2019	0.00	1253	10%	36.00
7	M/s NBCC Ltd.	Gangtok	172.50	04.07.2018	172.50	31.03.2020	0.00	637	10%	30.00
			725.50		655.50		70.00			160.00
Total loss of interest on grant of additional advance (up to 31-03-2020) is ₹ 160.00 lakh										

Annexure 5.1
(Refer to Paragraph 5.1.5.1)
Properties identified for monetization

Sl. No.	Detail of property	Location	Phase	Audit Observation
1.	Mulund TE	Mumbai	Ph-I	Agricultural No Title Deed
2.	Eksar-II (Shimpoli) Borivali	Mumbai	Ph-I	Agricultural No Title Deed Encroachment
3.	Eksar- I T.E (Borivali)	Mumbai	Ph-I	Agricultural Encroachment
4.	Eksar - I (Addl Land) Borivili	Mumbai	Ph-I	Agricultural Encroachment
5.	Vasari Hill, Malad Goregaon West	Mumbai	Ph-I	Encroachment
6.	Naupada Thane	Mumbai	Ph-II	Agricultural
7.	Pahadi Goregaon Tank Plot	Mumbai	Ph-II	No Title Deed
8.	Panchpakhadi RLU Thane	Mumbai	Ph-II	Agricultural
9.	Sakivihar T.E Powai	Mumbai	Ph-II	Agricultural
10.	Malad (W) Near Inorbit Mall	Mumbai	Ph-II	Agricultural
11.	Parel Telephone Complex	Mumbai	Ph-II	No Title Deed
12.	Darpan (Gundavali Village) Marol, Andheri E	Mumbai	Ph-II	Agricultural
13.	Charkop-II T.E Kandivili	Mumbai	Ph-II	Agricultural
14.	Charkop III Admin/RLU Kandivili East	Mumbai	Ph-II	Agricultural
15.	Borivali (Magathane -RLU) Hakoba	Mumbai	Ph-II	Agricultural
16.	Versova TE, Andheri W	Mumbai	Ph-II	Agricultural
17.	Rohini Sec-5, Pocket 10, ND-85	Delhi	Ph-I	No Lease Deed
18.	MTNL staff Quarter, Rohini, Sector -5, Pocket 4, ND	Delhi	Ph-I	No Lease Deed
19.	RLU Bldg. Sarita Vihar M-Block	Delhi	Ph-I	No Lease Deed
20.	Rohini Sec.XI Staff Quarters	Delhi	Ph-I	No Lease Deed
21.	RLU Bldg. CBD Shahdara	Delhi	Ph-II	No Lease Deed
22.	Udhyog Vihar Bawana-I	Delhi	Ph-II	No Lease Deed
23.	Dwarka Sec.16-C TE	Delhi	Ph-II	No Lease Deed
24.	RLU Bldg. Rohini Sec-6	Delhi	Ph-II	No Lease Deed
25.	RLU Bldg. Keshav Puram	Delhi	Ph-II	No Lease Deed
26.	Mangolpuri Indl . Area Phase-1	Delhi	Ph-II	No Lease Deed
27.	Noida, Distt.G.B.Nagar, UP-201301	Delhi	Ph-II	No Lease Deed
28.	Rohini Sec.22 TE	Delhi	Ph-II	No Lease Deed
29.	Lothian Road RLU Bldg.	Delhi	Ph-II	No Lease Deed
30.	Pankha Road	Delhi	Ph-II	No Lease Deed

31.	Sunlight Colony	Delhi	Ph-II	No Lease Deed
32.	Burari Khasra No.94/7/2	Delhi	Ph-II	No Lease Deed
33.	Jaunapur 45/8/2	Delhi	Ph-II	No Lease Deed
34.	RLU Mandawali Fazalpur	Delhi	Ph-II	No Lease Deed
35.	Mayur vihar Ph.I (Pocket-4) GHS, GRP, OCF	Delhi	Ph-II	No Lease Deed
36.	Najafgarh Telephone Exch. DDA	Delhi	Ph-II	No Lease Deed
37.	Rohini sec.5	Delhi	Ph-II	No Lease Deed
38.	Sunlight Colony RLU	Delhi	Ph-II	No Lease Deed
39.	RLU Bldg. Vasant Vihar	Delhi	Ph-II	No Lease Deed
40.	G-17 SQ Paschim Vihar	Delhi	Ph-II	No Lease Deed
41.	Dwarka Sec.20 CSD	Delhi	Ph-II	No Lease Deed
42.	RLU Bldg. Saraswati Vihar	Delhi	Ph-II	No Lease Deed
43.	Tehkhand Store Depot and RLU Exchange	Delhi	Ph-II	No Lease Deed

Glossary of Terms and abbreviations

ABs	Autonomous Bodies
AGR	Adjusted Gross Revenue
AT	Acceptance Testing
ATN	Action Taken Notes
BBNL	Bharat Broadband Network Limited
BG	Bank Guarantee
BSC	Base Station Controller
BSNL	Bharat Sanchar Nigam Limited
BTS	Base Transceiver Station
CABs	Central Autonomous Bodies
CAPEX	Capital Expenditure
CCAs	Controller of Communication Accounts
C-DAC	Centre for Development of Advanced Computing
C-DoT	Centre for Development of Telematics
CERT-In	Indian Computer Emergency Response Team
CGA	Controller General of Accounts
CPE	Customer-Premises Equipment
CRA	Central Record Keeping Agency
CSC	Common Service Centres
CSRF	Common Subscriber Registration Form
DDO	Drawing and Disbursing Officer
DEA	Department of Economic Affairs
DeitY	Department of Electronics & Information Technology
DFR	Draft Feasibility Report
DGS&D	Directorate General of Supplies and Disposals
DIPAM	Department of Investment and Public Asset Management
DoE	Department of Expenditure
DoP	Department of Posts
DoT	Department of Telecommunications
DPR	Detailed Project Report
EMF	Electromagnetic Field
FTTH	Fibre To The Home
FY	Financial Year
GeM	Government E-Marketplace
GPs	Gram Panchayats
GR	Gross Revenue

GSM	Global System for Mobile Communications
I&B	Ministry of Information and Broadcasting
ICNIRP	International Commission on Non-Ionization Radiation Protection
ICT	Information and Communication Technology
ILAC	International Laboratory Accreditation Corporation
ILD	International Long Distance
IPPB	India Post Payments Bank Limited
IRP	Interim Resolution Professionals
ISP-IT	Internet Service Provider-IT
ITI	Indian Telephone Industries Limited
KYC	Know Your Customer
LAN	Local Area Network
LF	License Fee
LSA	Licensed Service Area
MeitY	Ministry of Electronics & Information Technology
MERC	Maharashtra Electricity Regulatory Commission
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoC	Ministry of Communications
MoU	Memorandum Of Understanding
MoSPI	Ministry of Statistics and Programme Implementation
MSA	Master Services Agreement
MTCTE	Mandatory Testing And Certification Of Telecom Equipment
MTL	Millennium Telecom Limited
MTNL	Mahanagar Telephone Nigam Limited
NeGD	National E-Governance Division
NGN	Next Generation Network
NHAI	National Highways Authority Of India
NIC	National Informatics Centre
NICF	National Institute Of Communication Finance
NICSI	National Informatics Centre Services Inc
NIT	Notice Inviting Tender
NLD	National Long Distance
NOC	Network Operating Centre
NOFM	National Optical Fibre Network Project
NPCI	National Payments Corporation Of India
NPS	New Pension Scheme
NTI	National Telecommunications Institute

NTP	National Telecom Policy
O&M	Operation And Maintenance
OEMs	Original Equipment Manufacturers
OPEX	Operational Expenditure
PAC	Public Accounts Committee
PBC	Pre-Bid Conference
PE	Project Estimate
PE	Project Estimate
PFMS	Public Financial Management System
PFRDA	Pension Fund Regulatory And Development Authority
PLI	Postal Life Insurance
PMU	Project Monitoring Unit
POI	Point Of Interconnection
PRAN	Permanent Retirement Account Number
PSP	Private Service Providers
PSUs	Public Sector Undertakings
PTM	Private Telecom Manufacturer
RFIE	Ready For Installation of Equipment
RFP	Request For Proposal
RG	Residential Gateways
RICT	Rural Information Communication Technology
RJIO	Reliance Jio Infocomm Ltd
RMFS	Remotely Managed Franking System
RPLI	Rural Postal Life Insurance
SAR	Specification Absorption Rate
SAs	Strategic Alliances
SFC	Standing Finance Committee
SPs	Service Providers
SPV	Special Purpose Vehicle
STL	Sterlite Technology Limited
STQC	Standardisation, Testing And Quality Certification Directorate
SUC	Spectrum Usage Charges
TCIL	Telecommunications Consultants India Limited
TCL	Tata Communication Ltd
TDSAT	Telecom Dispute Settlement And Appellate Tribunal
TEC	Telecom Engineering Centre
TERM	Telecom Enforcement and Resource Monitoring

ToT	Transfer of Technology
TRAI	Telecom Regulatory Authority Of India
TTL	Tamil Nadu Telecommunications Limited
UAL	Universal Access Levy
UID	Unique Identification Numbers
UIDAI	Unique Identification Authority Of India
USO	Universal Service Obligation
USOF	Universal Service Obligation Fund
WLL	Wireless In Local Loop
WPC	Wireless Planning And Coordination Wings