

Press release

**C&AG's Audit Report No. 21 of 2018 on
Communication and IT tabled in Parliament today.**

Report No. 21 of 2018 of the Comptroller and Auditor General of India- Union Government on 'Communication and IT' was tabled in Parliament today.

This Report of the Comptroller and Auditor General (C&AG) of India relates to matters arising from Performance Audit and compliance audit of the financial transactions of the Ministry of Communications (MoC), Ministry of Electronics and Information Technology (MeitY) and Public Sector Undertakings (PSUs) under the Ministries for the year ended 31 March 2017. It contains four chapters. Chapter I give audited entity profile, analysis of expenditure, financial performance of the departments and Follow up on Audit Reports. Chapter II, III and IV relate to audit findings/observations arising out of audit of Department of Telecommunications, Department of Posts, and Public Sector Undertakings under these Ministries.

Some of the important findings in the Compliance Audit Report are detailed in subsequent paragraphs:

Chapter- II Department of Telecommunications (DoT)

Audit on "Spectrum Management in DoT"

As per the National Telecom Policy (NTP) 2012, one of the major objectives of Spectrum Management was to re-farm spectrum and allot alternative frequency bands or media to service providers from time to time to make spectrum available for introduction of new technologies for telecom applications and prepare a roadmap for availability of additional spectrum every five years. In India, total spectrum allocated for GSM based mobile (cellular) services (2G/2.5G) is 2X25 MHz in 900 MHz band and 2X75 MHz in 1800 MHz bands. Upto 2x6.2 MHz of 900 MHz band was being used by Defence till date. No action/deliberation for re-farming of 900 MHz band was initiated by Wireless Planning & Coordination(WPC) of DoT. The continuing use of spectrum in these bands by Defence results in loss of opportunity cost for the nation as a whole.

Paragraph 2.1.7.1

Railways was assigned 1.6 MHz spectrum along seven railway tracks in 900 MHz band. Considering the increased requirement of spectrum for commercial use for telecom services, TRAI in its recommendations dated 13 May 2005 and 11 May 2010 on Spectrum related issues recommended for re-farming of spectrum in 900 MHz from incumbents for its utilization for commercial use by telecom operators. Though Telecom Regulatory Authority of India (TRAI) emphasized time and again for re-farming of spectrum assigned to Railway in 900 MHz for telecom use, Department of Telecommunication (DoT) had not taken any action in this regard. Assignment of

spectrum to Railway in 900 MHz band hampered the contiguous assignment of spectrum to telecom operators which in turn adversely affected the optimal utilization of spectrum.

Paragraph 2.1.7.2

A guard band is a narrow frequency range that separates two ranges of wider frequency. During harmonization of 1800 MHz band, DoT made a provision for 0.2 MHz guard band and one additional guard band of 0.2 MHz in between this spectrum band in all 22 LSAs. It was also noticed that the location of the additional guard band of 0.2 MHz considered by the DoT was varying from LSA to LSA. Additional guard band of 4.4 MHz spectrum was not considered while putting up spectrum in 1800 MHz band for auction and thus spectrum in 1800 MHz, which is a prime band, remained unutilized.

Paragraph 2.1.8.1

DoT prescribed (March 2013) levy of one time spectrum charge (OTSC) for spectrum held beyond 2.5 MHz by CDMA operators and issued (March 2013) demand note of ₹ 1152.68 crore to Tata Teleservices Limited (TTSL)/Tata Teleservices (Maharashtra) Limited (TTML). DoT order provided that licencees not willing to pay OTSC may surrender spectrum beyond 2.5 MHz. TTSL/TTML surrendered (April 2013) the CDMA spectrum of 2.5 MHz each in Maharashtra and Andhra Pradesh and 1.25 MHz each in Kolkata, Chennai, Bihar, Gujarat, Haryana, Karnataka, Kerala, Punjab, Rajasthan, Uttar Pradesh (East) and Uttar Pradesh (West) under protest. TTSL/TTML also surrendered 1.25 MHz in Delhi and Mumbai and retained 3.75+3.75 MHz and paid first instalment of ₹ 62.91 crore as OTSC in respect of Delhi and Mumbai under protest. The annual value of spectrum surrendered by TTSL but not put to auction worked out to ₹ 127.33 crore.

BSNL was allotted start up spectrum of 6.2 MHz in 900 MHz band in all its Service Areas during 2000 and 2003. Subsequently it was allotted additional spectrum during 2004 to 2007. After DoT's decision to levy OTSC, BSNL proposed to surrender (January 2013) 1.8 MHz in 1800 MHz band in 15 LSAs. However, DoT has not withdrawn the excess spectrum proposed to be surrendered by BSNL till date (March 2018) and the value of the excess spectrum held by BSNL is ₹ 520.79 crore.

Paragraphs 2.1.9.1 & 2.1.9.2

DoT constituted a committee in December 2012 to look into the allotment/assignment of spectrum in various categories of spectrum users covering different categories of licenses and authorizations. The Committee proposed that the spectrum allotment in Microwave band to all the service providers should be allotted through market related process (auction). However, allocation of MW Access spectrum had been done on First Come First Serve (FCFS) basis. Though carriers were available in other bands and propagation characteristics of MWA spectrum in lower bands (say 13/15 GHz) was better compared with higher bands (18/21 GHz and beyond), allotment of MWA to Access Service providers was withheld by DoT since June 2010. Non-allotment of MWA spectrum to Access Service Providers despite availability resulted in loss of revenue to the Government.

Paragraph 2.1.10

The New Telecom Policy 1999 (NTP 1999) allowed the then existing Cellular Mobile Service licensees to migrate from a Fixed Licensee Fee Regime to a Revenue Share arrangement with effect from 01 August 1999. The revenue sharing was to be done as a fixed percentage of their Adjusted Gross Revenue (AGR) for Microwave (MW) access/backbone Spectrum also. However, the spectrum charges for MW

access/backbone Spectrum and satellite Spectrum of National Long Distance (NLD) and International Long Distance (ILD) networks were still levied on formula basis instead of revenue share basis (i.e. percentage of AGR), as being done for MW access spectrum of cellular network which indicated non-uniform policy in DoT.

Paragraph 2.1.10.1

National Frequency Register (NFR) is the basic record for all frequency assignments and it would be referred to identify assignable frequency for any new applicant. WPC implemented (January 2005) "Automatic Spectrum Management System (ASMS)" which caters to the requirement of application, assignment, channeling plan, Standing Advisory Committee on Radio Frequency Allocations (SACFA) clearance, etc. The NFR in ASMS was not being updated at the time of assignment of new frequencies and/or surrender/withdrawal of previously assigned frequencies.

Paragraph 2.1.11.1

Monitoring of RF spectrum is carried out to ensure compliance with regulatory provisions governing radio communications and to intervene with national or foreign stations contravening these provisions. However, Wireless Monitoring Headquarter (MHQ)/Regional Headquarters (RHQs) nor International Monitoring Station (IMS)/Wireless Monitoring Station (WMS)/Inspection units had updated base of wireless licensees and frequency assignments since 2009-10.

Paragraph 2.1.11.2

Large number of equipment/Mobile Monitoring System (MMS) vehicles were supplied around 2004-05 under World Bank funded Project to all the wireless monitoring stations for carrying out the various types of monitoring activities. These equipment/MMS vehicles went faulty and remained so for several years.

Paragraph 2.1.11.3

Mobile monitoring function is essential in Very High Frequency (VHF) and Ultra High Frequency (UHF) frequency bands because of line of site constraints. 21 mobile monitoring Vehicles fitted with expensive electronic equipment under World Bank aided NRSMMMS project procured between the year 2005 and 2007 were provided one vehicle each to all 21 WMSs/IMSs centers. However, more than 75 per cent vehicles could not be used for mobile monitoring due to faulty equipments/vehicles and non availability of drivers.

Paragraph 2.1.11.4

Issue/grant of wireless licences and renewal of such licences were transferred to the Regional Licensing Offices (RLOs). However, three RLOs namely Kolkata, Guwahati and Chennai had not maintained the data base of licenses issued/renewed in different categories. Further, renewal charges for the period after the expiry of the validity of licenses had not been collected in 2660 cases, even though the licences had expired long back.

Paragraph 2.1.11.6

Though foundation stone for establishing Institute of Advanced Radio Spectrum Engineering and Management Studies (IARSEMS) was laid in March 2011 with an objective to ensure an efficient spectrum planning and engineering for achieving optimal spectrum use in present and future, no progress was made towards establishment of the institute. DoT needs to review the necessity for the Institute since there are already centres for excellence for telecom in Indian Institutes of Technology (IITs) besides DoT's own telecom technology development centre viz. Centre for Development of Telemetric (C-DoT).

Paragraph 2.1.12.1

Central Government organizations / Ministries / Departments were exempted from payment of License Fee and Royalty Charges (Spectrum charges) for their wireless network prior to 01 June 2004. The State Police Organisations (SPOs) were exempted from payment of Royalty charges on spectrum usage, however, they were required to pay Licence Fee for the spectrum. DoT decided (April 2004) to charge for spectrum from all the wireless users including Government departments/organizations as per the existing fixed formula with effect from 01 June 2004. Further, spectrum charges (Royalty) for captive users were revised with effect from April 2012. In respect of these 20 SPOs and CPMFs, total spectrum charges for the spectrum assigned before 01 June 2004 levied was ₹ 163.58 crore and late fee levied was ₹ 284.11 crore for the period 2004-14, out of which only ₹ 100.86 crore had been received. In respect of spectrum assigned during 01 June 2004 to 31 March 2012 to two SPOs and CPMFs, ₹ 64.20 crore was levied as Spectrum charge and ₹ 85.60 crore was levied as late fee, out of which only ₹ 13.93 crore has been received.

Paragraph 2.1.12.2

In terms of Cabinet note on “Notification of Defence Band and Defence Interest Zone, which was approved by the Cabinet on 21 January 2015, a separate proposal for waiver of Spectrum Charges payable by Defence was to be submitted for the approval of the Cabinet. However, no such proposal for waiver of Spectrum Charges for Defence Forces has been got approved from the Cabinet till date.

Paragraph 2.1.12.3

Spectrum for captive users to private as well as government users is primarily allotted in spectrum band below 806 MHz. There was no mechanism put in place by WPC to review realization of spectrum charges and to raise demands regularly (annually) for timely realization of revenue from captive users. It was up to the users to pay spectrum charges on their own or WPC raised demands whenever users approached to WPC for renewal/surrender of licences.

Paragraph 2.1.12.4

Chapter- III Department of Posts (DoP)

Audit of Core Insurance Solution (CIS) in Department of Post

An audit of “Core Insurance solution” under IT Modernization Project in Department of Posts was conducted and following major deficiencies were seen in the system:

Functional deficiencies existed like medical examination of insurant, revival of lapsed policies, Agency Management System and Work Flow methodologies despite specific provision in the Request for Proposals. There were Computational errors in surrender value rebate and interest leading to manual intervention. Changes made in POLI Rules were not incorporated immediately through necessary modifications in the software.

Insurant as well department could not pay/ credit premium/loan/maturity amount by auto transfer to his POSB account due to non integration of Core Insurance solution with Core Banking solutions. System suffered IT deficiencies like Multiple Log on Functionality, Unrestricted rights/privileges to System Administrator, no availability of user log and audit trail.

There were inadequate IT controls in bulk upload facilities, lack of supervisory controls in premium cancellation, inadequate controls in suspense maintenance and absence of functionalities in Fraud management system. Disaster Recovery Centre

was non-functional on account of non-loading of CIS Application software. Roll out of CIS in Port Blair HO and Army Postal service was not carried out. Unique customer ID was not generated resulting in failure in exercising necessary system based controls.

Paragraph 3.1

Stocking of Cash Certificates in Department of Posts (DoP)

Non-linking of Receipts of Cash Certificates (CCs) from India Security Press (ISP), Nasik with the indents placed by Circle Stamp Depots (CSD) resulted in excess receipt and resultant accumulation of CCs at the CSDs. As the retention of the certificates in the CSDs is prone to misuse, DoP needs to take immediate action to ensure that all the unsold certificates are obtained by ISP Nasik for appropriate disposal.

Paragraph 3.2

Chapter- IV Public Sector Undertakings under the Ministry

Telecom services provided by Bharat Sanchar Nigam Limited (BSNL) in North Eastern Region (NER) of India

Bharat Sanchar Nigam Limited (BSNL) failed in implementing Comprehensive Telecom Development Plan (CTDP) for North Eastern Region (NER) approved by the Cabinet in September 2014. This was because of failure of the major tenders under CTDP as given below:

- Tender relating to Survey, Planning, Supply, Installation, Testing, Commissioning, Integration with existing core network and Operations & Maintenance for five years of 2G Global System For Mobile Communications (GSM) Network along with Very Small Aperture Terminal (VSAT), Network Hub & radio backhaul to provide coverage in uncovered villages at an estimated project cost of ₹ 1460 crore in April 2016.
- Tender relating to laying of Under Ground (UG) cable, cable ducts, etc. issued by Chief General Manager (CGM) Telecom Stores, Kolkata in February 2015 and the tender for procurement of Dense Wavelength Division Multiplexing (DWDM) equipment floated by BSNL Corporate office in February 2015.

Thus, due to failure of the above two major tenders the objective of CTDP i.e. rollout for 2G coverage in uncovered areas of NER and OFC Ring connectivity along with augmentation of transmission media was yet to be achieved.

Regional Trunk Planning Committee (RTPC) approved (April 2008 and June 2014) 116 OFC routes for rehabilitation work in Assam, NE-I and NE-II Circles. The works were to be executed by North East Task Force (NETF), Guwahati. The progress of work was 10 per cent in Assam and nil in NE-I and NE-II as on date and the delays ranged between 3 to 10 years.

DoT stated that DoT/USOF did not propose to fund the provision of mobile services in border and naxal affected areas. Thus, even though MHA initiated the proposal for improving telecom services in border areas of North Eastern Region as early as 2014, there was virtually no progress resulting in spill-over signals from neighboring countries being used by the civilians posing threat to national security/economy.

Paragraph 4.1