

14

**ADMINISTRATION OF UNIVERSAL
SERVICE OBLIGATION (USO) FUND**

**MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)**

**PUBLIC ACCOUNTS
COMMITTEE
2009-2010**

FOURTEENTH REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

FOURTEENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2009-10)

(FIFTEENTH LOK SABHA)

ADMINISTRATION OF UNIVERSAL
SERVICE OBLIGATION (USO) FUND

MINISTRY OF COMMUNICATIONS AND INFORMATION
TECHNOLOGY (DEPARTMENT OF TELECOMMUNICATIONS)



Presented to Lok Sabha on 29.04.2010
Laid in Rajya Sabha on 29.04.2010

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/Vaisakha, 1932 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009-2010)

*Shri Gopinath Munde — *Chairman*
Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Khagen Das
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Dr. K. Sambasiva Rao
9. Shri Jaswant Singh
10. Shri Jitendra Singh (Alwar)
11. Kunwar Rewati Raman Singh
12. Shri Yashwant Sinha
13. Shri K. Sudhakaran
14. Dr. M. Thambidurai
15. Shri Aruna Kumar Vundavalli

Rajya Sabha

16. Shri Prasanta Chatterjee
17. Shri Sharad Anantrao Joshi
- §18. Vacant
19. Shri Shanta Kumar
20. Dr. K. Malaisamy
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

- | | | |
|----------------------------|---|------------------------|
| 1. Shri Ashok Sarin | — | <i>Joint Secretary</i> |
| 2. Shri Raj Shekhar Sharma | — | <i>Director</i> |
| 3. Shri D.R. Mohanty | — | <i>Under Secretary</i> |

* Appointed as the Chairman of the Committee *w.e.f.* 6th January, 2010 *vice*
Shri Jaswant Singh resigned from the Chairmanship of the Committee.

§ *Vice* Shri Ashwani Kumar retired from Rajya Sabha *w.e.f.* 9th April, 2010.

COMPOSITION OF THE SUB-COMMITTEE-V OF THE
PUBLIC ACCOUNTS COMMITTEE (2009-2010)

*Shri Ashwani Kumar — *Convener*

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Naveen Jindal

Rajya Sabha

4. Shri Prasanta Chatterjee

*Ceased to be a Member of the Committee/Sub-Committee on expiry of his term in Rajya Sabha *w.e.f.* 9th April, 2010.

INTRODUCTION

I, the Chairman, Public Accounts Committee as authorised by the Committee, do present this Fourteenth Report (15th Lok Sabha) on "Administration of Universal Service Obligation (USO) Fund" based on Chapter 1 of C&AG Report No. PA1 of 2008 for the year ended March, 2007 relating to the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Report of the Comptroller and Auditor General of India for the year ended March, 2007 was laid on the Table of the House on 24th October, 2008.

3. Taking cognizance of the inordinate delay on the part of various Ministries/ Departments in furnishing the Action Taken Notes on the Non-Selected Audit Paragraphs/Chapters/Reports within the stipulated time frame, the Public Accounts Committee (2009-10) took up the subject for detailed examination and report. A Sub-Committee was specially constituted for the purpose. In due consultation with the Audit, it was decided to examine the position in respect of the Ministry of Communications and Information Technology (Department of Telecommunications), alongwith some other Ministries/Departments.

4. In the process of the scrutiny of the Audit Paragraphs/Chapters/Report pending with the Ministry of Communications and Information Technology (Department of Telecommunications), the Sub-Committee came across certain pending Paragraphs/ Chapters on very important issues and considered it prudent to examine and report the same alongwith the Non-compliance issue. Accordingly, the sub-Committee took up the above mentioned Chapter of the Audit Report for in-depth examination.

5. The Sub-Committee took evidence of the representatives of the Ministry of Communications and Information Technology (Department of Telecommunications) on 22nd February, 2010. The Committee considered and adopted this Report at their sitting held on 26th April, 2010. Minutes of the Sittings form Appendices to the Report.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

7. The Committee thank the Sub-Committee for their efforts in examining the subject in detail and finalizing and placing the Report before the main Committee.

8. The Committee would also like to express their thanks to the officers of the Ministry of Communications and Information Technology (Department of Telecommunications) for tendering evidence before the Sub-Committee and furnishing information that the Sub-Committee/Committee desired in connection with the examination of the subject.

(viii)

9. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor-General of India.

NEW DELHI;
26 April, 2010
6 Vaisakha, 1932 (*Saka*)

GOPINATH MUNDE,
Chairman,
Public Accounts Committee.

REPORT

I. Introductory

The Reports of the Comptroller and Auditor General of India, after being laid in Parliament in accordance with Article 151 of the Constitution of India, stand referred to the Public Accounts Committee for their scrutiny. As it becomes practically impossible for the Public Accounts Committee to examine each and every paragraph contained in the Audit Reports, the Committee adopt a selective approach and take up a few relatively more important paragraphs for indepth examination at the beginning of the terms every year. As regards the paragraphs which are not formally selected for examination by the Committee, these are dealt with by means of a procedure whereby the Ministries/Departments are required to furnish the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure).

2. But as there was inordinate delay on the part of the Ministries/Departments in furnishing the remedial/corrective Action Taken Notes, the Committee in their 105th Report (Tenth Lok Sabha) had recommended that with effect from 31st March, 1996 the Action Taken Notes on all the Paragraphs of the Reports of the C&AG, which are not formally taken up by the PAC for examination and Reports presented thereon should be furnished to the Committee within four months of the laying of the Audit Reports.

3. During 2000-01, the Committee decided that the remedial/corrective Action Taken Notes furnished by the respective Ministries/Departments should be categorized by the Audit under three broad heads namely 'Accepted', 'Partially Accepted' and 'Not Accepted'. In subsequent developments, the Committee also decided that a brief on those Action Taken Notes which are categorized as 'Not Accepted' should be furnished by the Office of C&AG, clearly indicating the reasons for such categorization as well as the points of difference between Audit and the Ministry/Department concerned.

4. Even then, various Ministries/Departments have been unable to furnish the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure) within the prescribed time line of four months. For example as on 28th February, 2010 remedial/corrective Action Taken Notes on a total number of 3450 Chapters/Paragraphs were pending with various Ministries/Departments.

5. Against this backdrop, the Committee took up the subject for detailed examination during the year 2009-10. A Sub-Committee was constituted to go deep into the matter, prepare separate Reports on each Ministry/Department concerned with the subject and place the same before the Main Committee for their consideration. In the process, the Sub-Committee obtained Background Notes/Preliminary Materials and Written Replies from the Ministries/Departments concerned. The Sub-Committee also took separate evidence of the representatives of the respective Ministries/Departments on different dates.

6. This Report pertains to the remedial/corrective Action Taken Notes on the Audit Paragraphs pending with the Ministry of Communications and Information Technology (Department of Telecommunications). Out of the 3450 Chapters/Paragraphs pending with various Ministries/Departments as on 28th February, 2010, 100 Chapters/Paragraphs pertained to the Department of Telecommunications. One of the important Chapters/Paragraphs out of these 100 Chapters/Paragraphs is Chapter I of the Report of the C&AG of India for the year ended March, 2007—Union Government, Civil and Postal Departments No. PA 1 of 2008 relating to the Performance Audit of Administration of the Universal Service Obligation Fund in the Department of Telecommunications. The Sub-Committee considered it prudent to touch upon this Chapter, as a test case, to gauge the compliance of the Department to the Audit observations/suggestions contained therein, alongwith the status of remedial/corrective Action Taken Notes to be furnished by the Department.

II. Status of Pendency Position

7. The Sub-Committee were informed by the Audit that as of February, 2010, 100 Paragraphs of the C&AG Reports upon which remedial/corrective Action Taken Notes were to be furnished, were pending with the Department of Telecommunications. In this context, when the Committee desired to know the views of the Department of Telecommunications, the Secretary, DoT submitted in evidence:

"Sir, as per the details available before me, we have, as on 30.09.2009, subject to, of course, reconciliations from the Audit, about 100 Paragraphs to be replied to, and we have replied to 97 of them. Only three Paragraphs are pending."

8. Expressing surprise over the mismatches in facts and figures between what the Audit furnished and what the Secretary, Department of Telecommunications submitted, the Sub-Committee desired to hear the views of Audit. In response, the C&AG submitted in evidence:

"As per the information available with us, out of 108 paragraphs which pertain to the period 1998 and 2009, I think, 17 of them have not been responded to even for the first time, and on 70 of them we have raised questions and returned back, which have not been sent back to us. As many as 61 of them have been cleared by us but then they have not been sent by the Ministry of PAC. So, out of 108 paragraphs, not a single paragraph had been submitted to PAC Secretariat as on date..."

9. Asked to comment upon the above observations of the C&AG of India, the Secretary, Department of Telecommunications submitted:

".....As per the procedure, once we get the details from the Technical Wing and present it through our Finance Wing to C&AG, then there is a process by which the Audit conducts the vetting and they ask for a clarification. In fact, 49 of these Paragraphs are in that process. We have given the first reply and we are in the process of giving the second reply. On 22 paragraphs, we have finalized all our replies and they are in the process of copies being taken. So, two paragraphs on which we have to give replies; followed by 49 of them, and that makes to 51. Perhaps, this much I could reconcile."

10. The Secretary, DoT further clarified:

"On three Paragraphs, the first replies have not been sent. On the remaining 97 paragraphs we have definitely sent the first replies and they are passed on to C&AG officials."

11. In a post-evidence information, the Department of Telecommunications submitted that the Audit Paragraphs pending with the Department as on 19th March, 2010 were as follows:

(i) First Reply not framed	-	01
(ii) Under Modifications	-	39
(iii) Sent for copy	-	58
(iv) Sent to Audit	-	02
Total		100

12. Asked to state the mechanism/procedure devised by the Department to ensure timely submission of corrective/remedial Action Taken Notes on the C&AG Reports, it was replied by the Department that a procedure has been developed at both field and Headquarters levels to take action by the Nodal Section as well as the Audit Coordination Branch to deal with the Audit Paragraphs and timely submission of Action Taken Notes thereon. In addition, regular quarterly reviews by the Telecom Commission was done to take stock of the status of the Action Taken Notes on the Audit Paras.

13. The Sub-Committee then queried about the reasons of pendency of a large number of paras despite the mechanism/procedure devised by the Department for timely submission of Action Taken Notes. In reply, it was stated that Department of Telecommunications was fully aware of the fact that Action Taken Notes were to be furnished within four months from the date of laying of the Audit Reports on the Table of the House. However, the prescribed time limit of four months for furnishing the Action Taken Notes on Audit Paras turned out to be somewhat inadequate as the Department of Telecommunications, being a vast and big organization, dealt with different Units, Subordinate and Attached Offices, Statutory Bodies, Statutory Tribunals as well as Autonomous Bodies. The Department further stated that they were, however, always streamlining the procedure to adhere to the time schedule.

14. When the Sub-Committee desired to know whether any responsibility had ever been fixed for the inordinate delay in submission of Action Taken Notes on Audit Paras, the Department replied in the negative.

15. Asked to state categorically the time frame by which the Action Taken Notes on pending Paragraphs would be furnished, the Department stated that the replies would be submitted on receipt of the same from the Nodal Officers, who had been given one month time to do so.

III. Universal Service Obligation Fund (USOF)

16. The New Telecom Policy (NTP), 1999 laid emphasis on Universal Service Obligation (USO) for achievement of some universal service objectives like increase

in rural tele-density, provision of voice and low speed data service in the uncovered villages in the country and telephone on demand in the rural areas. The Universal Service Obligation Fund (USOF) was formed with effect from April, 2002 for raising resources to cater to the USO activities. The Fund is administered by the Department of Telecommunications. The levy *i.e.* five percent of the Adjusted Gross Revenue (AGR) earned by all the operators under various licences is first credited to the Consolidated Fund of India and subsequently the Central Government credits such proceeds to the Fund in Public Account of India from time to time, for being utilized exclusively for USO activities. USO Fund is a non-lapsable fund.

17. The following eight activities were taken up for subsidy support from the USOF for rural telephony:

- (i) Operation and maintenance of existing Village Public Telephones (VPTs).
- (ii) Replacement of Multi Access Radio Relay (MARR) VPTs.
- (iii) Subsidy support for MARR VPTs replaced by BSNL between 1st April, 2002 and 30th June, 2003.
- (iv) Provision for Rural Community Phones (RCPs).
- (v) Provision of VPTs in those revenue villages, as per 1991 census, which were without any telephone facility.
- (vi) Subsidy support towards Rural Household Direct Exchange Lines (RDELs) installed prior to 1st April, 2002 by BSNL.
- (vii) Subsidy support towards RDELs installed between 1st April, 2002 and 31st March, 2005 in specified Short Distance Charging Areas (SDCAs).
- (viii) Provision of RDELs in specified SDCAs after 1st April, 2005.

18. The Performance Audit of 'Administration of USO Fund in Department of Telecommunications' was conducted between March, 2007 to June, 2007, covering the period from 2002-03 to 2006-07. USO Headquarters and 14 out of the 24 service areas were selected for the performance audit. Audit was conducted with a view to verifying that:

- The Department and the Administrator, USO Fund had followed appropriate strategies to optimally utilise the fund for accelerating the growth of rural telephony;
- The extent to which the roll out obligations were met by the service providers as per milestones prescribed in the service agreements;
- The extent to which the objectives of USO Fund were met in terms of achieving higher tele-density in the rural India;
- The Department had ensured accurate and timely collection and accounting of universal access levy;
- The subsidy from USO Fund was disbursed as per the financial conditions of the agreement; and

- The Department had ensured that universal service providers had observed the laid down standards of quality of service.

19. The Highlights of the Performance Audit of Administration of the USO Fund were as follows:

- During 2002-03 to 2006-07, only Rs. 5,081.44 crore *i.e.*, 33.87 per cent of Universal Service Obligation (USO) Fund had been utilised out of total funds of Rs. 14,998.98 crore collected from service providers, indicating that Department of Telecommunications (DoT) and Administrator, USO Fund failed to adopt aggressive strategies for expanding rural telephony;
- Despite phenomenal growth and expansion in telecom sector in the country, the pace of expansion of telecom services in rural India, particularly in the States of Bihar, Chhattisgarh, Madhya Pradesh, Assam, Jammu & Kashmir, Uttar Pradesh and West Bengal has been rather very slow and the tele-density in these States ranged merely between 0.88 to 1.81 per hundred population. This indicated that the objectives of establishing Universal Service Obligation Fund exclusively for accelerating growth of rural telephony were not achieved despite substantial collection of funds through Universal Access Levy;
- The amounts collected through Universal Access Levy have not been credited fully to the Universal Service Obligation Fund. The balance under the Fund at the end of each financial year was nil indicating that the funds were diverted/ used for purposes other than fulfilling Universal Service Obligation;
- Subsidy of Rs. 1850.77 crore was paid retrospectively towards rural household direct exchange lines (RDELs) installed during April 2002 to March 2005 without ensuring that the amount was disbursed only towards eligible RDELs;
- Reliance Communication and Tata Teleservices were paid subsidy of Rs. 84.50 crore for provision of RDELs and Rural Community Phones (RCPs) without ensuring connectivity with network of other service providers as envisaged in the Unified Access Service Licence (UASL) agreements;
- Liquidated damages of Rs. 20.60 crore were not recovered from universal service providers for non-fulfilment of roll out obligations even in the extended period;
- Excess payment of subsidy to the tune of Rs. 9.25 crore towards Village Public Telephones (VPTs) made to Universal Service Providers was not recovered;
- Subsidy of Rs. 2.18 crore was paid for VPTs showing zero meter reading or non-incremental meter reading;
- Disbursement of subsidy to the tune of Rs. 2,073 crore for the years 2004-05 and 2005-06 was not reconciled with the Auditors' Report as they were not submitted by the universal service providers;
- There were delays in clearance of subsidy claims of Universal Service Providers (USPs). As of March 2007, claims of different USPs amounting to

Rs. 407.83 crore were pending for settlement with the Controller of Communication Accounts in various service areas; and

- Administrator, Universal Service Obligation Fund failed to monitor quality of service parameters in rural areas. Large number of operators in rural areas did not meet the minimum quality standard prescribed by Telecom Regulatory Authority of India.

(i) Utilisation of USO Fund

20. The Audit pointed out that although Universal Service Levy increased at an exponential rate during 2002-07, yet the utilization of USO Fund was meagre. As of March, 2007, only Rs. 5,081.44 crore *i.e.* 33.87 per cent of USO Fund had been utilized out of the total collected fund of Rs. 15,998.98 crore. The balance shown under the Head 8235 General and other Reserve Funds, 118 Universal Service Obligation Fund under Public Account of India as on 31st March each year was nil which indicated that the amount collected as Universal Service Levy from the service providers was not credited fully to the USO Fund by the Government.

21. The Department of Telecommunications while partially agreeing with the Audit observation stated that as per the Indian Telegraph (Amendment) Act, 2003, the USO Fund was to be utilized exclusively for meeting the USO activities and the balance to the credit of the Fund would not lapse at the end of the financial year.

22. Not satisfied, the Sub-Committee desired to know the precise reasons for not putting USO Fund Corpus separately under the Public Accounts. In reply, the Department stated that as per Clauses 9A(2) and 9B of the Indian Telegraph (Amendment) Act, 2003 'the sums of money received towards the USO under section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by Law in this behalf so provides, credit such proceeds to the fund from time to time for being utilised exclusively for meeting the Universal Service Obligation'. Credits to the funds may also be by way of grants and loans, as the Government may consider necessary in the fund, after due appropriation made by Parliament by law in this behalf.

23. The Department further stated that the transfer of the entire collection under USL to USO Fund was not a matter of course. Instead, Credits to the Fund shall be the amount as received through Parliamentary approvals.

24. Asked to state the position of the collection and utilization of the USO Fund, the Department furnished the following information:

(a) Collection of USL since inception	-	Rs. 25331.36 crore
(b) Funds allocated and disbursed through USOF	-	Rs. 7971.44 crore
(c) Reimbursement of Licence Fees and spectrum Charges to BSNL from 2002-03 to 2005-06	-	Rs. 6948.64 crore
(d) The available balance as on 31st March, 2009	-	Rs. 10411.28 crore
(e) Funds allotted during 2009-10	-	Rs. 2400 crore

25. The Sub-Committee then desired to know the measures taken by Department of Telecommunication to optimally utilize the USO Fund. In reply, the Department stated that in order to optimally utilize the USO Fund, some Schemes like Second and Third Phases of Mobile Infrastructure, Non-Conventional Energy for Rural Areas, Broadband Connectivity on Wireless, Augmentation of Optical Fibre Network and Pilot Projects towards support for renewable energy resources and solar mobile charging stations in villages were under formulation and planned to be executed during the next three to five years time frame. The Department expected that once the above said schemes were operationalised, the outflow from the USO Fund would increase.

(ii) Rural Tele-density

26. Audit had observed that despite the boom in the Telecom Sector in the Country, the pace of expansion of the telecom services in the rural areas had remained slow and the Department of Telecommunications and the Administrator, USO Fund had failed to develop appropriate strategies to ensure full utilization of USO Fund for increasing rural telephony. Rural Tele-density in service areas such as Bihar, Chhattisgarh, Madhya Pradesh, Assam, Jammu and Kashmir, Uttar Pradesh and West Bengal ranged from 0.88 to 1.81 per cent. Audit had further pointed out that no annual targets were fixed for achieving higher tele-density indicating lack of adequate monitoring.

27. The Department while partially agreeing with the facts and figures, stated that in the States/Service areas mentioned in the Audit Para, the rural tele-density ranged between 1.82 per cent in Chhattisgarh to 18.22 in Jammu and Kashmir. The All India rural tele-density had increased from 0.90 in 1998 to 17.10 as on 30th June, 2009.

28. When the Sub-Committee desired to know the latest position of All India rural tele-density including that of the States pointed out by Audit, a representative of Department of Telecommunication stated in evidence that the All Indian rural tele-density as on date was over 21 per cent. He further submitted:

".....I would like to read out the figures which are available for the period ending 31st December, 2009. In Jammu and Kashmir, the rural tele-density is 23.04 per cent, in Bihar the rural tele-density is 12.26 per cent and the combined figure of rural tele-density in Madhya Pradesh and Chhattisgarh is 12.59 per cent. The rural tele-density in Assam is 16.37 per cent and for other areas of North-East, it is 21.59 per cent."

29. In response to a specific query of the Sub-Committee the representatives of the Department stated that the rate of increase in rural tele-density had actually been picking up since the last two/three years.

30. Asked to spell out the strategy and plan of action to increase the rural tele-density in the coming years, the Department of Telecommunication stated that in order to bridge the rural-urban divide, USO Fund in past had taken up various schemes under Stream-II and Stream-III of Indian Telegraph Amendment Rules 2004 and 2006, where the focus was on provision of individual telephone lines and creation of Shared Mobile Infrastructure for provision of mobile services in the rural and remote areas of the country.

31. Under Stream II of USO Fund a scheme was launched for installation of Rural Household Direct Exchange Lines (RDELs) in 1685 Short Distance Charging Areas (SDCAs) out of the 2647 total SDCAs in the country, where cost of providing telephone was more than the revenue earned. As on 31.01.2010, about 72.3 Lakh RDELs have been provided under this scheme with subsidy support from USO Fund.

32. Under Stream III, Shared Mobile Infrastructure Scheme (Phase-II) was launched to provide subsidy support for setting up and managing 7871 (revised to 7387) number of infrastructure sites (towers) in 500 districts spread over 27 States for provision of mobile services in the specified rural and remote areas, where there was no existing fixed wireless or mobile coverage. Villages or cluster of villages having population of 2000 or more and not having mobile coverage were taken into consideration for installation of the towers under this scheme. The infrastructure so created is being shared by three service providers for provision of mobile services. As on 31.01.2010, 7020 towers *i.e.* about 95% have been set up under this scheme. Utilizing the infrastructure so created, mobile services are being provided in a phased manner from these towers. A capacity of about 20 Million lines will be created. Once the scheme is fully operational.

33. The Sub-Committee were further informed that under proposed Phase II of the Shared Mobile Infrastructure Scheme, about 10,000 towers were planned to be set up in the rural and remote areas of the country. Villages or cluster of villages having population of 500 or more and not having mobile coverage were being taken into consideration for installation of the towers under this scheme. This scheme shall be launched in the year 2010-11. Isolated and remote uncovered villages/cluster of villages having scattered population were also proposed to be covered with mobile services using 'Micro Telecom Systems.' About 5,000 additional towers were proposed to be set up under this scheme.

34. It was stated that all the above schemes would help in the creation of infrastructure in the rural and remote areas of the country, which in turn shall enable increase in the rural tele-density.

(iii) Provision of Village Public Telephones (VPTs)

35. The Sub-Committee were informed that support was being provided from USO Fund for about 5.66 lakh Village Public Telephones out of a total of 5.93 lakh inhabited villages in the country. This included VPTs being provided under Bharat Nirman Programme as well as VPTs in the remaining uncovered village as per the 2001 census.

36. Asked to state the number of VPTs to be provided under Bharat Nirman Programme and in the remaining villages uncovered separately and the achievement made so far, the Department of Telecommunications replied that out of the target of 62,302 VPTs under Bharat Nirman Programme, 61,526 VPTs *i.e.* 98.80 per cent had already been provided as on 31st January, 2010. Similarly out of the target of 62,443 VPTs to be provided by February, 2011 in the remaining uncovered villages as per the 2001 census irrespective of their population and geographical location, 37,325 VPTs had been provided by 31st January, 2010.

37. Elucidating the position, a representative of the DoT stated in evidence:

"When we signed this Agreement with BSNL, there was a perception that we have left out some villages which are not forest and insurgency hit areas. So, we said that those uncovered villages in the Bharat Nirman which were left out being in the forest areas shall also get covered. So, we took details from census 2001 and found that there are 62,443 such locations which need to be further tackled. There are isolated habitations which also need to be covered. So, we gave a two year time to BSNL to cover that. Now, within a year 37,325 VPTs, that is 60 per cent of the total target has been met and about one more year is to go....."

38. In response to a specific query of the Sub-Committee, the Department replied that the remaining villages were likely to be provided with VPT facility in a phased manner by February, 2011.

(iv) Replacement of VPTs based on Multi Access Radio Relay (MARR) Technology

39. The Sub-Committee were informed that subsidy support was being provided for replacement of dysfunctional VPTs working on MARR Technology with other reliable technologies. In this context, a representative of the DoT submitted in evidence:

".....That is why there is specifically one USOF scheme to see that these MARR phones are replaced with functional technology phones. When I am talking of 5.66 lakh villages. I do not include any of the old MARR phones. These 5.66 lakh villages have either wireline phones or fixed-wireless phones, the Garuda type of things which are CDMA, WLL phones. The third technology, which is Digital Satellite Phone Terminals (DSPT) are in very remote areas where they have no other coverage from any other source....."

40. Audit scrutiny revealed that the service providers could not achieve the targets for replacement of MARR VPTs even after one year of the extended period.

41. The Department, while partially agreeing to the facts and figures, stated that 1,37,906 (99.3 per cent) MARR VPTs, out of a total of 1,38,406 such VPTs had been replaced upto 31st July, 2009.

42. The Sub-Committee desired to know about the plan of the department to replace all the MARR VPTs in a time bound manner. In reply, the Department stated that a total number of 1,84,521 MARR VPTs *i.e.* 99.7 per cent out of 1,85,121 such VPTs had been replaced as on 31st January, 2010. Most of the remaining 600 MARR VPTs were lying in the remote and isolated areas where no network coverage on landline/WLL was available as on date. The Department further stated that BSNL was being advised to replace the remaining MARR VPTs by using alternative technologies at the earliest.

(v) Payment of Subsidy without Complete Verification of Records

43. Audit scrutiny revealed that the verification conducted by the Controller of Certifying Authorities (CCA) for five service areas, namely North-East, West Bengal, Uttar Pradesh (East), Chhattisgarh and Madhya Pradesh showed that there was a difference of 38,072 VPTs between the VPTs eligible for subsidy and the VPTs for

which subsidy was paid. This resulted in excess disbursement of Rs.9.25 crore and no recovery was made by the CCAs.

44. Similarly, scrutiny of records by Audit in Bihar, Tamil Nadu, Rajasthan, Uttar Pradesh (East) and Madhya Pradesh revealed that subsidy had been paid in these service areas despite the fact that the VPTs recorded zero/non-incremental meter reading for the entire quarter. This resulted in excess payment of subsidy to the tune of Rs. 2.18 crore.

45. The Department of Telecommunications clarified that there was no excess payment of subsidy in Uttar Pradesh (East) whereas excess subsidy payment of Rs. 13.85 lakh in Chhattisgarh Circle, Rs. 5.09 crore in West Bengal Circle, and Rs. 1.34 crore in Madhya Pradesh Circle had been recovered. Similarly, excess paid subsidy of Rs. 10.95 lakh, Rs. 46 lakh and Rs. 26 lakh in Tamil Nadu, Rajasthan and Madhya Pradesh Circles respectively had been adjusted.

46. The Sub-Committee desired to be apprised of the measures taken by the Department to ensure that subsidy was actually disbursed to only eligible VPTs in order to check recurrence of excess payment of subsidy. In reply, the DoT stated that USO agreements envisaged post facto sample based authentication of subsidy claims and recoveries with interest wherever due. The affidavit by USPs accompanying the claim and the Auditor's Reports were further safeguards. It was further stated that the affidavit was an undertaking which essentially stated that the claim had been prepared as per agreement. Post payment verification of claims and the field inspections were also conducted as per the prescribed procedures. These were reviewed and additional checks prescribed, based on the inputs received from CCAs.

47. The Sub-Committee were further informed that following measures had been taken to bring about further improvement in the system and to check excess payment of subsidy:

- (i) Instructions were issued *vide* letter No. 1-4/2006-USOF/RDEL-II dated 23-02-2007 and corrigendum letter of even No. dated 12-03-2007 for furnishing additional information regarding village name, Census village code and exchange capacity from Q.E. March, 2007 onwards with a view to ensure that only Rural DELs are claimed by USPs;
- (ii) Instructions issued *vide* letter No. 1-1/2008/USOF-337 to 362 dated 6.5.2008, for verification of subsidy claims with reference to Telecom Revenue Accounting (TRA) records of the service providers and certification to this effect by officer concerned *w.e.f.* claims for quarter ending June 2008 onwards; and
- (iii) By way of additional safeguards, instructions issued for submission of Call Data Records (CDR) and Customers Application Form (CAF) in support of RDELS subsidy claims. Also at least one out going call made mandatory in proof of installation of RDELS in a quarter.

There are adequate safeguards in the Agreement to take care of eventualities such as excess/under payment of subsidy at any stage. Safeguards that are available in the USOF Agreement are mentioned below:

- I. Recovery/Adjustment: As per the Agreement, "The Administrator shall pay the subsidy for a quarter after making adjustments if any, for the payment made in the previous quarter(s) (Clause 18.9)," Thus excess payments detected at any stage can be recovered subsequently;
- II. Auditor's Report: The Agreement provides that, "The quarterly subsidy statements of each year shall be required to be audited by the auditors of the universal service provider appointed under section 224 of the companies act 1956 and final adjustment, if any, in respect of excess or shortage in the subsidy disbursed shall be made in the following year based on the quarterly statement duly certified by the auditors of the universal service provider.' (Clause 18.5 and 18.10). Thus in addition to adjustment made by the CCA offices, the Agreement provides for adjustment of any excess/short payment detected by the Statutory Auditors of the Company; and
- III. Penalty: As per the Agreement, "The universal service provider if found to have claimed and received in excess of 10% of the subsidy due to them for a financial year, the entire amount in excess shall be recovered along with interest from the date of disbursement at the prime lending rate of the State Bank of India prevalent on the day the disbursement was made.' (Clause 18.11). Thus in the event of excess payment, in addition to adjustment of subsidy payable in subsequent quarter(s), there is provision of levying penal interest.

48. The Sub-committee asked in evidence whether any penal interest was ever levied for excess subsidy disbursement. In reply, a representative of the DoT stated:

".....Normally, whenever an excess subsidy disbursement happens and it is within 10 per cent, the recovery is effected. When it is more than 10 per cent excess, then the recovery is done and a penal interest is levied....."

49. In response to another specific query, the representative, DoT further submitted;

".....I must place on record that after the Audit had pointed out some of these issues, we have tightened our system.....and certainly now the verification process is much more tight and we have devised sampling procedures. We devised post facto verification. We have put in place such system and many of those things have happened as a result of the Audit input....."

(vi) Non-Submission of Auditors Report

50. Audit had pointed out that Rs. 90 lakh pertaining to the years 2002 to 2004 had remained unadjusted from the Universal Service Providers (USP) concerned. The Auditors reports for the year 2004-05 of all the service areas were not available at the USO Headquarters and the disbursement of subsidy of Rs. 1314 crore to six service providers was yet to be reconciled *vis-a-vis* the Auditors Report. Audit had further pointed out that BSNL, Reliance Communication Ltd. and Tata Teleservices Ltd. had

not submitted the Auditors Reports for the year 2005-06 in 10 CCA offices and subsidy of Rs. 759 crore disbursed, remained to be certified by the Auditors even after a lapse of two years.

51. The Department of Telecommunications, while partially agreeing to the facts and figures included in the Audit Para stated that steps had been taken to streamline the procedure of settlement and authentication of subsidy claims.

52. The Sub-Committee asked in evidence about the reasons for the non-submission of the Auditors Reports by the Universal Service Providers. In reply, a representative of the DoT stated:

"Sir, they did not submit the Auditors Reports when the Audit had said and they did not submit in time as stipulated. Yes. But, it is not that they have not submitted subsequently."

53. The Sub-Committee then desired to know whether any action had been taken against the USPs for non-submission of the Auditors' Reports within the prescribed time schedule. In reply, the Department stated the entire system of submission and checking of the Auditors' Reports had been streamlined. It was further stated that the USPs were required to submit the Auditors' Reports to the concerned CCA offices and subsequent to the streamlining of the procedure, they were generally submitting the Reports within the prescribed time schedule and the same was being monitored regularly.

54. Asked to state categorically whether any action was taken against the USPs in case of aberrations, a representative of DoT submitted in evidence:

"We have tightened the process in this respect. But no action has been taken."

55. As regards the reconciliation of the subsidy of Rs. 1314 crore and certification of subsidy of Rs. 759 crore, as pointed out by the Audit, the Department of Telecommunications stated that since all the certificates/Reports had been received from the CCAs/USPs and recoveries, wherever due have been effected/adjusted, it could be said that the relevant claims stood reconciled.

56. The Sub-Committee then pointed out that furnishing of the Auditors Reports was a pre-condition for the release of subsidy. The process was based on self certification basis on the part of the USPs. In this context, the Sub-Committee desired to be apprised of the mechanism developed by the Department to ensure authenticity of such self certified Reports. In response, a representative of the DoT submitted in evidence:

"Sir, subsidy in USOF is released only after commissioning of the services. We do not give any advance payments. The subsidy is released over a five-year period. When the first tranche of subsidy is to be released, the service provider gives the self-certificate. We have a particular subsidy format in which he has to give us certain information in support of his claim. On top of that we have some supporting documents. Apart from that when we receive the claim, we scrutinize that format, the affidavit, the documents. That is a preliminary checking that we exercise. Even at that stage, we may disallow certain claims. We release the payment and

after the disbursement, every quarter, we have payment verification mechanism which is a combination of dialing and physical verification. So, it is an on-going process which continues. At any stage, if we find that we have paid an excess subsidy, we recover the subsidy from the subsequent claims. This is an integral part of every USOF scheme and agreement."

(vii) Accumulation of Pending Claims

57. Audit scrutiny had revealed that that as of March, 2007, claims of different USPs amounting to Rs. 407.83 crore were pending for settlement. Although the provisions of the agreement stipulated outer limit for submission of claims, there was no specific time period for the USPs to furnish clarifications or additional information as required by the CCA for the settlement of claims. Audit further pointed out that there were delays on the part of the USO Headquarters in providing clarifications sought for by the CCAs, which resulted in accumulation of pending claims.

58. In reply to the above observations of Audit, the Administrator, USO Fund stated that Rs. 174.42 crore was withheld due to non-availability of the revised representative rates, which would be cleared soon as the rates for the fourth year had been approved. Other claims were held up due to non-submission of the required documents/clarifications by the USPs. However, instructions had been issued to all the service providers and CCAs in August, 2007 to settle the pending claims in a time bound manner.

59. The Department of Telecommunications, while partially agreeing to the facts and figures included in the Audit para, stated what no claims received upto 1st April, 2007 was lying unsettled Claims worth Rs. 42 crore were, however, lying with held due to various reasons.

60. In the above context, the Sub-Committee desired to know the mechanism put in place to ensure proper and timely verifications of claims submitted by the USPs. In reply, the DoT stated that since the audit observation, vigorous efforts had been made and the system had been improved considerably. To begin with after active efforts, a comprehensive and accurate data base of pending claims had ben prepared at USOF HQ. The system of claim settlement had been computerized and streamlined. All clarifications requested by CCAs were addressed promptly and a clear-cut time schedule and system of settlement of claims had been introduced. An accurate data base was being maintained and scrupulously monitored in regard to receipt of claims, settlement and pending position thereof to ensure timely claim settlement process on regular basis.

61. The Sub-Committee were informed that it needed to be appreciated that the nature of USF activities and their verification was such that settlement of claims was inevitably an ongoing process. Based on the documents submitted with the claims and/or post payment inspection findings, additional documents were often required to be called for, specially, by CCAs to verify the authenticity of claims. If on the basis of preliminary scrutiny, certain claims appeared to be doubtful, that portion was withheld. This withheld amount might also pertain to previous-period claims, which had earlier been paid. The supply of required documents by USPs and scrutiny of these

documentary proofs in support of the existence/functioning of several individual connections was a time consuming exercise.

62. It was further stated that as the process tended to be a relatively protracted one, some delay in settlement on this account was inevitable. However, as the aim was to ensure that subsidy was paid out only against eligible rural connections, the delay was perhaps justified. Hence, withholding the claims was a form of internal control exercised by CCAs and to ensure accuracy. Regular meetings were also held by CCAs with the USPs to sort out pending issues, if any.

63. However, a vigorous monitoring system was being followed in regard to settlement of claims. The CCAs as also the USPs found to be not observing the time schedule for settlement of claims were regularly being reminded and wherever required, review meetings were held for the purpose. The result was that no claims pertaining to the period up to 1.4.2007 was lying unsettled.

64. The Sub-Committee was also apprised that when reviewed against the fact that as on 1.4.2007 the USOF had disbursed subsidy amounting to Rs. 5081 crore, the withheld amount in respect of the corresponding period was merely 24.00 crore (as on 11.03.2010) which was even less than 1% of the settled amount.

(viii) Inter-Connectivity between Different Networks

65. Audit scrutiny in Rajasthan, Uttar Pradesh (West) and Uttar Pradesh (East) Telecom Circles revealed and RCPs and RDELs were provided by Reliance Communication Ltd. and Tata Teleservice Ltd. without ensuring interconnectivity with the network of BSNL. Provision of RCPs and RDELs did not serve the purpose of rural telephony, even though subsidy to the tune of Rs. 84.50 crore paid to the service providers for these connections.

66. Agreeing with the above observations of Audit, the DoT stated that the matter had been taken up with BSNL to speed up provision of interconnectivity with other networks.

67. In the above context, the Sub-Committee asked about the mechanism put in place by DoT to keep an watch over adequate and appropriate interconnectivity among various USPs. In reply, the Department stated that as per the license agreements signed by Service Providers with DoT, it was the responsibility of the service provider for arranging the Point of Interconnections (PoI) with the incumbent as well as other operators. This condition had also been stated in the agreements signed between the service providers and the USO Fund Administrative. Further as per the TRAI Act, matters related to interconnection between various Service Providers was a function of TRAI.

68. It was further stated that the USPs while creating the network for provision of RDELs also requested BSNL for Pols which were provided over a period of time. In the meantime, the USPs kept on providing RDELs under various schemes with limited connectivity with the network of other operators. The network growth count no be curtailed on account of such limitations as the provision of Pols was an ongoing process. Moreover, the telecom access was made available to the rural customer in one form or the other.

69. However, in order to speed up the provision of requisite interconnectivity, the matter was taken up by USO Fund Administrator with BSNL from time-to-time so that the commitment to provide rural telephony could be met. Thus the availability of Pols improved with the intervention of USOF Administration.

(ix) Non-Furnishing of Operator-wise Details of Pass Through Charges

70. Audit scrutiny in Andhra Pradesh Telecom Circle revealed that none of the licensees, except Tata Teleservices Ltd., had furnished operator-wise details of charges in the AGR for the year 2005-06 and 2006-07. In the absence of the above mentioned details in the AGR, the correctness of the amount of USL collected could not be vouched for in audit.

71. Responding to the above observation of Audit, the Administrator, USO Fund stated that instruction had been issued to all the operators to furnish the AGR statement in the format prescribed in the licence agreement.

72. The Department of Telecommunications did not agree with the Audit contention and stated that as per performa prescribed, the operator-wise details on account of pass-through charges from other operators was not required. The operators were submitting the details of the pass-through charges paid to other operators along with the audited statement of the Revenue and Licence fee.

(x) No-Recovery of Liquidated Damages

73. The Sub-Committee learnt that there was a provision for imposition of Liquidated Damages (LB) in the Agreement for non-fulfilment of rollout obligations within the stipulated time period. Audit pointed out that as the USPs could not meet the roll out plan as per the prescribed time schedule, the Administrator, USO Fund had extended the time schedule in respect of BSNL for replacement of MARR VPTs and provision of RDELs; in respect of Reliance Communication Ltd. for provision of RCPs and RDELs; and in respect of Tata Teleservices Ltd. for provision of RDELs. But he did not impose any Liquidated Damages and had thus failed to recover Liquidated Damages of Rs. 20.60 crore from the defaulting USPs.

74. The Department of Telecommunications, while partially agreeing to the Audit observation, stated that efforts were being made to recover the Liquidated Damage charges. However, the fact remained that only Rs. 2.03 crore had been recovered till date.

75. In the above context, the Sub-Committee desired to know the reasons for non-imposition of Liquidated Damages upon the defaulting USPs despite their failure to fulfil the rollout obligations within the prescribed time line. In reply, the Department stated that the USPs were facing difficulties in extending the services in the rural and remote area of the country. The Department further stated that as the basic objective of USO Fund was to provide accessibility of telecom services to the people in the rural and remote areas at affordable and reasonable prices, the rollout period was extended for the USPs without imposing Liquidated Damages keeping in view their difficulties.

76. Asked to state the measures taken by the Administrator, USO Fund/DoT and the monitoring mechanism put in place for prompt and proper recovery of Liquidated Damages from the defaulting USPs and Liquidated Damages recovered during the last three fiscals, the Department replied that levying liquidated damages for not meeting the prescribed rollout had been made as one of the conditions of the Agreement to ensure timely implementation of the activities. As the services were to be provided in difficult areas, the delay in execution normally occurred on account of various reasons and the USPs had been seeking extension of Roll out period citing the reasons of accessibility, remoteness, natural calamities, difficult terrain, naxalism, insurgency, deep forests and other local problems. The other reasons cited by service providers included technical reasons such as non-availability of equipment, power supply, Poles, transponders etc. Taking cognizance of these aspects, the roll out period had been extended for various activities from time to time in order to provide basic telecom services in rural and remote areas.

77. It was further mentioned that the Administrator USO Fund reserved the right to modify at any time the terms and conditions of the Agreement, if in the opinion of the Administrator it was necessary or expedient to do so for the proper conduct of the service. Exercising this power vested in Administrator USO Fund, the extension in roll out of various activities undertaken by USO Fund had been granted without levying LD charges after ascertaining that service providers were in the process of extending telecom services to these difficult areas.

78. For the recovery of Liquidated damages (LD), in view of non fulfilment of rollout Obligation, instructions were issued to CCA offices *vide* USOF-Finance letter No. 30-15/2004/USOF (Vol-III)/Pt. dated 28.5.2007. Further in view of Amendments in the roll out clauses with respect to different Agreements, CCA offices were requested *vide* letter No. 30-15/2007-USOF (Vol-III)/1811-1834 dated 23.10.2007 for immediate action for calculation of LD and recovery of the same.

79. As regards recovery of Liquidated Damages during the last three fiscals, the Sub-Committee were informed that separate head of account for booking of recoveries towards LD charges was opened in Jan. 2008. Accordingly, CCA offices were requested to book the recoveries on account of LD in the concerned head of account *vide* letter dated 26.02.2008. The recoveries on account of LD charges for non fulfilment of roll out obligation of MARR, VPTs, RCPs, & RDELs during the years 2007-08, 2008-09 & 2009-10 (upto Jan. 2010) as per booked figures in the accounts of DoT were as under:

Year	Amount (in crore)	
2007-08	2.77	
2008-09	5.35	
2009-10	(—) 2.46	
Total	5.66	(refund of LD due to extension of roll out conditions of some USOF activities)

80. As regards the pending Liquidated Damages of Rs. 20.60 crore as pointed out by Audit, a representative of the DoT clarified in evidence:

“Sir, I would try to explain it. When the Audit had arrived at the figure.....we had given notices to the operators. Subsequently, after reconciliation of the figures, the Liquidated Damages to be imposed has come down to Rs. 2 crore, which has been imposed and recovered.....”

81. Expressing their surprise over the reduction in the LD Charges from Rs. 20.60 crore to a mere Rs. 2 crore the Sub-committee desired to be apprised of the reasons for such a drastic reduction in the LD Charges imposed upon a number of USPs. In reply, the representative submitted in evidence:

“.....Normally, when we go about it, we arrive at some tentative figures of Liquidated Damages. When it was finally imposed after checking and verifications, it was Rs. 2 crore for the items, which have been pointed out by the Audit.”

82. Asked to state whether the Office of C&AG had been intimated accordingly, the representative of the DoT replied in evidence that office of the C&AG had been intimated in September and November 2009 about the reduction of amount in the Liquidated Damages.

83. Responding to the above submission, the representative of the C&AG stated that they had received the replies of DoT on 10th November, 2009. He added that replies were sent to the Office of C&AG only after the Public Accounts Committee selected the subject for detailed examination.

84. In response to another related query regarding exemption given to the defaulting USPs a representative of DoT stated in evidence:

“.....Exemptions are given when there are genuine reasons like insurgency or some *force majeure* type of issues. Otherwise, when it is on account of the service provider in our opinion, we impose Liquidated Damage and that is what has been done.”

(xi) Non-Evaluation of Quality of Service (QoS) Parameter in Rural Areas

85. Audit pointed out that although there was a provision in the Agreements for the Administrator, USO Fund to carry out the performance tests either directly or through authorized agency and also evaluate the QoS parameters for the VPTs at any time during the tenure of the Agreement, yet the Administrator USO Fund had not undertaken such evaluation in respect of each of the Agreements entered into with the service providers.

86. In response, the Department of Telecommunications stated that TRAI was regularly conducting QoS tests of the telecom network created by different USPs. The CCAs also used to verify the functional status of services provided by the USPs.

87. In the above context, the Sub-Committee desired to know the reasons for no-conducting of independent performance tests for evaluation of QoS by the Administrator, USO Fund as per the Agreements. In reply, the Department stated that no independent network roll out was generally envisaged for USO Fund schemes. The

facilities under various USOF schemes in rural areas were provided from the same core networks from which other facilities in urban/semi urban/rural areas were being provided by the Service providers. However, the Technical Conditions of various agreements signed by USO Fund Administration stipulated that the Universal Service Provider shall ensure the Quality of Service (QoS) as prescribed by the TRAI from time to time. The Administrator of TRAI may carry out performance tests either directly by them or through authorized agency or also evaluate the QoS parameters for the VPTs/RCPs/RDELS at any time during the validity period of the agreement. TRAI being the monitoring agency for QoS of various Service Providers undertook these QoS checks from time to time, the results of which were available on TRAI website. In view of above, no separate exercise for conducting QoS parameters of various USPs being undertaken by the USOFA.

88. It was further stated that while making the subsidy disbursement against the claim submitted by the service providers, deductions were made from the subsidy claims for the period for which services remained faulty as per the terms & conditions of respective Agreements. The CCAs also verified the functional status of the services being provided by the USPs by carrying out regular field visits and prescribed inspections on regular basis. In the context of monitoring of facilities to be provided in VPTs, based on inputs received from the CCA offices, effective measures had been taken by USOF Administration towards improvement in the maintenance and performance of VPTs.

Part II

Observations/Recommendations

1. With effect from March, 1996 the Ministries/Departments are required to furnish the remedial/corrective Action Taken Notes to the Public Accounts Committee through the Ministry of Finance (Department of Expenditure) on all those Paragraphs of the Reports of the Comptroller & Auditor General of India, which are not formally taken up by the Committee for examination and Reports presented thereon. Such remedial/corrective Action Taken Notes are to be furnished within four months of the laying of the Audit Reports in Parliament. But the Committee's examination of the subject has revealed that as on 28th February, 2010 remedial/corrective Action Taken Notes on a total number of 3450 Audit Paragraphs were pending with various Ministries/Departments. Out of that, 100 Paragraphs were pending with the Ministry of Communications and Information Technology (Department of Telecommunications) as on 19th March, 2010, the breakup being first reply not framed -01; under modifications-39; sent for copy-58; and sent to Audit-02. It is pertinent to mention here that after the first reply is sent to the Audit by the Ministry/Department concerned, the former seeks certain clarifications on the replies and the latter are required to furnish such clarifications in a time bound manner. The Department of Telecommunications cannot draw solace from the fact that only one Paragraph is pending with them so far as the first reply is concerned. In real terms, as many as 98 Paragraphs are pending with them as on 19th March, 2010, their status not withstanding and only on two Paragraphs remedial/corrective Action Taken Notes have been sent to the Audit. Further, not a single remedial/corrective Action Taken Note has been furnished to the Public Accounts Committee. The Department's claim that a procedure has been developed at both the field and Headquarters level and regular quarterly reviews are being conducted by the Telecom Commission to ensure timely submission of Action Taken Notes on the Audit Paragraphs, does not inspire confidence in view of the number of Paragraphs still pending with them. Similarly, the contention that the time limit of four months for submission of remedial Action Taken Notes seems inadequate for the Department, it being a vast and big organization, does not find merit with the Committee. Because, the time limit is prescribed by law and is achievable and also because there are other Ministries/Departments which are adhering to the time line in furnishing remedial Action Taken Notes on audit Paras. The explanation by the Department for delay is untenable. The Committee, therefore, impress upon the Department of Telecommunications to streamline the procedure and strengthen the monitoring systems with a view to ensuring that the remedial/corrective Action Taken Notes on Audit Paras are invariably submitted within the prescribed time frame. The Committee further desire that responsibility be fixed, which has not been done so far, for the inordinate delay in submission of Action Taken Notes on the Audit Paras in view of the invaluable inputs/remedies suggested by the Audit for prompt and appropriate corrective actions on the part of the Ministries/Departments concerned. The Committee also hope that the remedial/corrective Action Taken Notes on the pending audit Paras will be

obtained from the Nodal Officers within one months, as assured, and furnished to the Audit expeditiously thereafter. Action taken to fix responsibility be informed to the Committee at the earliest.

2. Pursuant to the emphasis laid on the Universal Service Obligation (USO) for achievement of universal service objectives like increase in rural teledensity, provision of voice and low speed data service in the uncovered villages in the country and telephone on demand in the rural areas, as enunciated in the New Telecom Policy (NTP), 1999, the Universal Service Obligation Fund (USOF) was formed with effect from April, 2002 for raising resources by means of a Universal Service Levy (USL) to cater to the USO activities. The USL *i.e.* five per cent of the Adjusted Gross Revenue (AGR) earned by all operators under various licences is first credited to the Consolidated Fund of India and subsequently the Central Government credits such proceeds to the Funds in Public Account of India from time to time for being utilized exclusively towards USO activities. As far as the Universal Service Obligation (USO) Fund is concerned, the Committee's examination of the subjects has revealed that the amount collected as USL from the service providers during the years 2002—07 was not credited fully to the USO Fund by the Government. The Department have contended that transfer of the entire collection under USL to USO Fund is not a matter of course; instead, credits to the Fund shall be of the amount as received through Parliamentary approvals. The Committee are, however, not convinced with the reasoning because as is known credits to the Fund are made after due appropriation made by Parliament. The Committee are of the view that Government should not have any problem in crediting the full amount collected as Universal Service levy in the USO Fund, more so when proceeds to the Fund are ment to be utilized exclusively for meeting the Universal Service Obligation. The Committee further desire that the proceeds to the USO Fund should not be diverted under any circumstances, even temporarily, for purposes other than those for which funds are collected.

3. The Committee note that the available balance in the USO Funds as on 31st March, 2009 was Rs. 12,811.28 crore including the allotted fund of Rs. 2400 crore during the financial year 2009-10. The Collection of USL since inception *i.e.* from 2002 is Rs. 25331.36 crore. It implies that utilisation of USO Funds has been around fifty per cent only in all these years. The committee, however, find that some Schemes like Second and Third Phases of Mobile Infrastructure, Non-Conventional energy for Rural Areas, Broadband connectivity on wireless and Augmentation of Optical Fibre Network and Pilot Projects towards support for renewable energy resources and solar mobile charging stations in villages are under formulation and planned to be executed in the next three to five years time frame. The Department expects that once the above Schemes are operationalised, the outflow from the USO Fund would increase. In this context, the Committee would like to point out that there should not be any let up in the optimal utilization of the funds, especially when eight important on-going activities *viz.* provision of Village Public Telephones (VPTs) Rural Community Phones (RCPs), Rural Direct Exchange Lines (RDELs), Replacement of Multi Access Radio Relay (MARR)

VPTs etc. are getting subsidy support from the USO Fund. The Committee, therefore, impress upon the Department and the USO Fund. Administration to ensure the USO Fund is purposely disbursed towards the ongoing activities for faster expansion of rural telephony. The Committee also desire that the planned Schemes, as stated above, be executed expeditiously and efficiently towards better utilization of the USO Fund and consequently better telecom infrastructure in the rural areas in the years ahead.

4. When Audit carried out the performance review of the Department of Telecommunications for the year ended March, 2007, it pointed out that rural tele-density in the States/Service Areas such as Bihar, Chhattisgarh, Madhya Pradesh, Assam, Jammu & Kashmir, Uttar Pradesh and West Bengal ranged from merely 0.88 to 1.81 per cent. A representative of the Department of Telecommunications clarified in evidence that the tele-density in Bihar, Jammu & Kashmir, Assam and combinedly in Madhya Pradesh and Chhattisgarh stood at 12.26; 23.04; 16.37 and 12.59 per cent respectively as on 31st December, 2009. As on the same date, the All India rural tele-density was 21 per cent whereas it was a mere 0.98 per cent in 1998. The Committee feel that rural tele-density has not kept pace with the massive expansion in the Telecom Sector in the country in general and the impressive growth in the urban connectivity in particular. The Committee were informed that in order to bridge the rural-urban divide, the Department, through the USO Fund, have taken up a number of Schemes/activities like installation of Rural Household Direct Exchange Lines (RDELs) in 1685 Short Distance Charging Areas (SDCAs); launching of Shared Mobile Infrastructure Scheme to provide subsidy support for setting up and managing 7383 sites/towers in 500 Districts spread over 27 States for provision of mobile services in the specified rural and remote areas where there is no fixed wireless or mobile coverage; and proposals to set up additional 10,000 towers in rural and remote areas in 2010-11 under Phase II of the Shared Mobile Infrastructure Scheme and setting up of 5,000 more towers under "Micro Telecom Systems" in isolated and remote uncovered villages/cluster of villages having scattered population. The Committee feel that these are steps in right direction and the momentum should be maintained throughout to give a fillip to rural tele-density. The rate of increase in rural tele-density has been picking up since the last few years when provision of affordable mobile telephones in rural areas gained momentum. In that context, Shared Mobile Infrastructure Scheme, where a number of service providers can share one site/tower is an idea which should be seriously implemented so that the gap between rural tele-density and urban connectivity is bridged faster and significantly.

5. The Committee note that out of target of 62,302 Village Public Telephone (VPTs) under Bharat Nirman Programme, 61,526 VPTs have already been provided as on 31st January, 2010. Similarly, BSNL, which has been given time till February, 2011 to provide 62,443 VPTs in the remaining uncovered villages as per the 2001 census irrespective of their population and geographical location, has been able to provide 37,325 VPTs as on 31st January, 2010. As provision of VPTs is one of the most important measures towards expansion of rural telephony,

the Committee desire the Department of Telecommunication and the USO Fund Administration to effectively monitor the progress in this regard so as to ensure that approximately 1000 VPTs under Bharat Nirman Programme and approximately 25,000 VPTs in the remaining uncovered villages as per the 2001 census are provided by February, 2011, the target date as given to BSNL. The Committee also recommend that the Department should impress upon the service provider to take adequate measures for the upkeep and maintenance of the VPTs already provided so that all the 5.93 lakh inhabited villages avail effective telecom facilities and the subsidy support from the USO Fund is appropriately utilised.

6. Replacement of dysfunctional VPTs working on Multi Access Radio Relay (MARR) technology is another activity which gets subsidy support from the USO Fund. Audit pointed out that the service providers could not achieve the targets for replacement of MARR VPTs even after one year of the extended period. The Department have clarified that as on 31st July 2009, 1,37,906 MARR VPTs, out of a total number of 1,38,406 such VPTs have already been replaced. The Committee are informed that as on 31st January, 2010, 1,84,521 MARR VPTs, out of a total number of 1,85,121 such VPTs have been replaced. In this context, the Committee would like to point out that the Department/USO Fund Administration have perhaps not yet been able to identify the exact number of MARR VPTs that needs to be replaced with alternate technologies. This could be corroborated from the above facts and figures furnished by the Department which indicate that approximately 50,000 more MARR VPTs have surfaced between July, 2009 and January, 2010. It is, therefore, imperative that the total number of dysfunctional VPTs working on the faulty MARR technology in the entire country be clearly identified and yearly targets be fixed for their replacement with other reliable technologies in a time bound manner. The Committee are of the view that the exercise of the replacement of MARR based VPTs which was initiated long back should now be taken to its logical conclusion in view of the extensions already granted to the service provider as well as the subsidy support given from the USO Fund.

7. The Committee note that as a result of the Audit verification in some service areas, it has been found that there has been a difference of 38,072 VPTs between the VPTs eligible for subsidy and the VPTs for which subsidy has actually been paid. It has resulted in excess disbursement of Rs. 9.25 crore and no recovery has been made. The Committee also find that subsidy has been paid in some service areas like Bihar, Tamil Nadu, Rajasthan and Madhya Pradesh despite the fact that the VPTs in these areas recorded zero/non-incremental meter reading for the entire quarter. It has resulted in excess payment of subsidy to the tune of Rs. 2.18 crore. That the Department have recovered/adjusted excess subsidy payment of Rs. 5.09 crore, Rs. 1.60 crore, Rs. 46 lakh, Rs. 13.85 lakh and Rs. 10.95 lakh in West Bengal, Madhya Pradesh, Rajasthan, Chhattisgarh and Tamil Nadu Telecom circles respectively is no consolation to the Committee as excess payment of subsidy should not have been made at all and whenever it is made it implies that subsidy payment is disbursed without proper verification of records. The Department have reported that the affidavit by the Universal Service

Providers (USPs), Auditors' Reports, post payment verification of claims, field inspection, clauses existing in the USOF agreement and a number of instructions issued are adequate safeguards in ensuring disbursement of appropriate subsidy. But the Committee feel that all the above reported measures will be of little use unless the monitoring system is strengthened. The Committee, therefore, impress upon the Department to further tighten the monitoring mechanism at every level to ensure that subsidy is disbursed only to eligible VPTs and there is no recurrence of cases of excess payment from the USO Fund. The Department's deposition that based on Audit input, they are trying to tighten the system is encouraging and that is precisely why the Committee desire that compliance Action Taken Notes, indicating corrective action taken on the observations/suggestion contained in the C&AG Reports, should be furnished within the prescribed time frame.

8. The Committee note that the USPs are required to submit the Auditors' Reports to the CCA offices concerned. But the Committee find that the Auditors' Reports for the year 2004-05 of all the service areas were not available at the USO Headquarter and the disbursement of subsidy of Rs. 1314 crore to six service providers was to be reconciled *vis-a-vis* the Auditors' Report. The Committee also find that BSNL, Reliance Communication Ltd. and Tata Teleservices Ltd. did not submit the Auditors' Reports for the year 2005-06 within the stipulated time schedule and disbursement of subsidy of Rs. 7.59 crore remained to be certified by the Auditors even after a lapse of two years since the C&AG carried out the performance audit. The Department have submitted before the Committee that subsequent to the Audit observations all the certificates/Auditors' Reports have been received and recoveries, wherever due have been effected/adjusted and thus, the disbursement of the subsidy amount and relevant claims stand reconciled. The Committee are not satisfied with the Department's deposition. In fact, the Committee are surprised over the fact that even when the submission of Auditor' Reports by that USPs is based on self-certification basis, the service providers defaulted on that count. More astonishingly, subsidy was disbursed even in the absence of the Auditors' Reports and no action was taken against the defaulting service providers, as candidly admitted by the representative of the DoT in evidence. In view of the fact that timely submission of the Auditors' Reports is a safeguard to ensure no excess payment of subsidy, the Committee desire the Department to ensure that the USPs submit the Auditors' Reports within a definite time frame to the concerned CCAs who, in turn, should expeditiously forward the Reports to the Headquarters for reconciliation with the claims. The Committee desire that the entire process should be further tightened and suitable action taken against the defaulting USPs and the CCAs for non-compliance. The Committee also recommend that the measures initiated by the Department to ensure proper and timely verifications of the claims submitted by the USPs should be intensified further so that subsidy support from USO Fund is released only for the services actually commissioned by the service providers.

9. When the performance audit of the USO Fund Administration was carried out it was found that claims amounting to Rs. 407.83 crore pertaining to different

USPs were pending for settlement due to delays on the part of the service providers in furnishing the requisite clarifications or additional information as well as on the part of the USO Headquarters in providing clarifications sought for by the CCAs. However, pursuant to the Audit observations, vigorous efforts have been made by the Department and the system had reportedly been improved considerably. As a result of the maintenance of an accurate data base and its scrupulous monitoring in regard to receipt of claims, settlement and pending position thereof, the pending claims have come down to Rs. 24 crore as on 11 March, 2010. The Committee are not convinced with the argument that as the process of settlement of claims of the USPs is a protracted one some delay in this regard is inevitable. It is true that withholding the claims is a form of internal control exercised by the CCAs to ensure accuracy, but it is also a fact that the need for withholding the claims arises only when there are deficiencies in the pre and post claim verification method. The Committee, therefore, impresses upon the Department and the USO Fund Administration to streamline the system of settlement claims by adhering to a clear-cut and definite time schedule and resorting to a foolproof verification mechanism so that settlement of genuine claims are not delayed inordinately. Steps in this direction may be brought to the attention of the Committee.

10. The Committee note that as per the license agreements signed by the USPs with DoT as well as agreements signed between the USPs and the USO Fund Administration, it is the responsibility of the service providers for arranging the Point of Interconnections (Pols) with the incumbent as well as other operators. But, Rural Community Phones (RCPs) and Rural Direct Exchange Lines (RDELs) have been provided by Reliance Communication Ltd. and Tata Teleservices Ltd. in Rajasthan, Uttar Pradesh (West) and Uttar Pradesh (East) Telecom Circles without ensuring interconnectivity with the other operator *i.e.* BSNL. Although the provision of RCPs and RDELs in the above mentioned Telecom Circles has not served the purpose, yet subsidy to the tune of Rs. 84.50 crore has been paid to the service providers for the connections. The Department have contended that while creating the network for provision of RCPs/RDELs, the two USPs requested BSNL for Pols and in the meanwhile, they kept on providing RCPs/RDELs under various schemes with limited connectivity with the network of other operators. The Department have further submitted that telecom access has, however, been made available to the rural customers in one form or the other. The Committee are not satisfied with the contention of the Department as every scheme meant for expansion of rural telephony has its own significance and each one of them gets subsidy from the USO Fund. So, to say that telecom access has been provided in rural areas in one form or the other even if the provision of RCP and RDELs did not serve the purpose is to undermine the abowed objectives, the Committee, therefore, recommend that the Department, instead of depicting a callous attitude, should impress upon BSNL and other USPs to speed up provision of interconnectivity while creating network for various schemes towards expansion of rural telephony to ensure that the purpose is well served. Violations of the licence agreement by those concerned need to be accounted for in terms of corrective, remedial and penal action against defaulters.

11. The Committee note that in the Andhra Pradesh Telecom Circle, none of the service providers, except Tata Teleservices Ltd., has furnished operator-wise details of pass through charges in the adjusted Gross Revenue (AGR) statements for the years 2005-06 and 2006-07. The Department have stated that as per the proforma prescribed, the operator-wise details on account of pass-through charges from other operators is not required. The Committee feel that the contention of the Department is not tenable as Para D-IV of the format submitted alongwith the Action Taken Notes to Audit specifies that operators have to depict the pass-through charges in the Revenue section of the format *ibid*. As in the absence of the details of the pass-through charges in the AGR, the authenticity/correctness of the amount of USL collected cannot be vouched for in audit, the Committee recommend that henceforth the operator-wise details on account of pass-through charges from other operators should invariably be included in the AGR. Non-insistence/enforcement of this condition is a serious default on the part of the Department.

12. The Committee note that there is a provision for imposition of Liquidated Damages (LD) in the Agreements for non-fulfillment of roll out obligations by the USPs with the stipulated time period and are constrained to observe that recoverable Liquidated Damages of Rs. 2 crore not been recovered from BSNL, Reliance Communication Ltd., and Tata Teleservices Ltd., even though these companies failed to honour their respective contractual obligations within the prescribed time line till the Department swung into action after PAC took up the subject for examination. Here, the Committee would like to point out that the amount of Liquidated Damages to be imposed upon the defaulting USPs should be calculated after careful scrutiny and verification in order to avoid loss to the exchequer and embarrassment for the Ministry.

13. According to the Department, the USPs have been seeking extensions of the roll out period citing not only natural calamities, difficult terrain, insurgency etc. but also grounds of technical problems such as non-availability of equipment, power supply, Points of Interconnection, transponders etc. The Department, on their part, have been granting extensions considering the difficulties of the service providers and thus no Liquidated Damage in being imposed upon the USPs for their inability to meet the roll out obligations. In this context, the Committee feel that so far as the problems of natural calamities, difficult terrain and insurgency are concerned, the Department may sympathetically consider granting suitable extension of time, in the fulfillment of the roll out obligations. But, problems like non-availability of equipment, power supply and Point of Interconnections should, under no circumstances, be considered valid causes for extension of time as these imply lack of adequate planning and management. The Committee are, therefore, of the view that in such cases when the USPs fail to achieve the roll out obligations within the stipulated time period, Liquidated Damages should invariably be imposed upon and recovered from them.

14. The Committee note that although there is a provision in the Agreements for the Administrator, USO Fund to carry out the performance tests either directly

or through the authorised agencies and also evaluate the quality of service parameters for the VPTs at any time during the tenure of the Agreement, yet the Administrator, USO Fund has not undertaken any such evaluation in respect of each of the Agreements entered into with the service providers. The Department's contention that Telecom Regulatory Authority of India (TRAI) is regularly contacting the QoS tests of the telecom network created by different USPs does not entitle the Administrator, USO Fund to abdicate its duties. The Committee, feel that evaluation by the USO Fund Administrator would rather provide valuable inputs to RAI helping the latter in coming to a more meaningful conclusions in their consultation papers/recommendations. The Committee, therefore, desire that the USO Fund Administrator carry out periodical evaluation of the telecom network created by the USPs in rural areas so that the outflow from the USO Fund is commensurate with quality provision of telecom connectivity and services.

NEW DELHI;
26 April, 2010
6 Vaisakha, 1932 (Saka)

GOPINATH MUNDE,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE SIXTH SITTING OF THE SUB-COMMITTEE-V OF THE PUBLIC ACCOUNTS COMMITTEE (2009-2010) ON “NON- COMPLIANCE BY MINISTRIES/DEPARTMENTS IN TIMELY SUBMISSION OF REPLIES TO THE AUDIT PARAGRAPHS OF C&AG OF INDIA” HELD ON 22ND FEBRUARY, 2010

The sub-Committee-V of the Public Accounts Committee sat on Friday, the 22nd February, 2010 from 1500 hrs. to 1755 hrs. in Committee Room No. 'C' Parliament House Annexe, New Delhi.

PRESENT

Shri Ashwani Kumar — *Convenor*
Lok Sabha

2. Shri Bhartruhari Mahtab

3. Shri Naveen Jindal

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*

2. Shri Sanjeev Sharma — *Deputy Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri R.B. Sinha — Director General (Report Central)

2. Shri R.P. Singh — Director General of Audit (P&T)

3. Shri P.K. Kataria — Pr. Director (Report Central)

4. Shri J.P.N. Singh — Director (Economic &
Service Ministry)

A. REPRESENTATIVES OF THE MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY (DEPARTMENT OF TELECOMMUNICATIONS)

1. Shri P.J. Thomas — Secretary (T)

2. Shri Chandra Prakash — Member (Tech.)

3. Ms. Vijayalakshmy K. Gupta — Member (Fin.), DoT

4. Shri Subodh Kumar — Additional Secretary

5. Dr. Ashok Chandra — W.A., DoT

6. Shri P.V. Acharya	—	Executive Director, C-DoT
7. Shri Ajay Bhattacharya	—	Administrator (USOF)
8. Ms. Sadhna Dixit	—	Advisor (Fin.)
9. Shri J.S. Deepak	—	Joint Secretary (T)
10. Ms. Anita Soni	—	Dir. (Fin.) MTNL
11. Shri R.K. Chandolia	—	Economic Advisor
12. Ms. Archana G. Gulati	—	Joint Administrator (USO-Fin.)
13. Shri Ashok Kumar	—	Joint Administrator (USO-Tech.)
14. Shri P.K. Sinha	—	DDG(FEB)
15. Shri A.K. Srivastava	—	DDG(AS)
16. Shri Ram Narain	—	DDG(Security)
17. Shri Kuldeep Goyal	—	CMD, BSNL
18. Shri Kuldeep Singh	—	CMD, MTNL

B. REPRESENTATIVES OF THE MINISTRY OF ROAD TRANSPORT & HIGHWAYS

1. Shri Brahm Dutt	—	Secretary, M/o RT &H
2. Shri Brijeshwar Singh	—	Chairman NHAI
3. Shri Nirmal Jit Singh	—	DG(RD) &SS
4. Shri Vijay Chhibber	—	AS&FA, M/o RT &H
5. Shri Sudhir Kumar	—	Pr. CCA
6. Shri Saroj Kumar Dash	—	JS(T&A)
7. Shri P.K. Tripathi	—	JS(Highways)
8. Shri Rajiv Yadav	—	Member (Admn.)
9. Shri J.K. Pandey	—	CGM(CO)
10. Shri G. Suresh	—	GM(Fin.)

2. At the outset, the Convenor, Sub-Committee-V of the Public Accounts Committee, [Hon'ble Ashwani Kumar] welcomed the representatives of the Office of the C&AG of India to the sitting of the Sub-Committee. Thereafter, the Audit Officers and the Secretariat briefed the Sub-Committee on the various issues concerning the subject on "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C & AG of India". During the internal meeting of the Sub-Committee the Memorandum No. 2 dated 3rd February, 2010 regarding the request of the Ministry of Finance — Department of Expenditure to treat 1092 audit paras as closed and the summary of those audit paras as supplied by the Audit were considered.

After some consideration the Sub-Committee decided to drop these 1092 Audit paras from the pendency list of the Department of expenditure (Monitoring Cell). The Sub-Committee took note of the fact that Audit was satisfied with the Action Taken by the Ministry on these Audit paras and Audit also concurred for their deletion from the pendency list. The Sub-Committee also decided to convey their concurrence in the form of their recommendation in their Draft Report to be prepared on the subject of Non-Compliance on the Ministry of Finance Department of Expenditure (Monitoring Cell).

3. The Convenor then informed the Members that the sitting has been convened for taking oral evidence of the representatives of the Ministry of Communications & Information Technology (Department of Telecommunications) and the Ministry of Road Transport & Highways on the subject relating to "Non-Compliance by Ministries/ Departments in timely submission of replies to the Audit Paragraphs of C&AG of India." The Convenor also informed the Members that the meeting will proceed with a discussion on Chapter 1 of Audit Report No. 1 of 2008 on "**Performance Audit of administration of Universal Service Obligation Fund**" relating to the Ministry of Communications & Information Technology (Department of Telecommunications) and Chapter XIV of Audit Report No. CA 2 of 2007: Para 14.1 on "**Revenue Loss Due to Delay in Levy of Toll Fees**" relating to the Ministry of Road Transport & Highways.

4. Thereafter, the representatives of the Ministry of Communications & Information Technology (Department of Telecommunications) were called in and the Convenor welcomed them to the sitting of the Sub-Committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry in timely submission of replies to the Audit Paragraphs of C&AG. They also, *inter-alia*, threw light on the current status of pending paras in their Ministry. The representatives also responded to the various issues and concerns raised by the Sub-Committee. In respect of certain queries which the representatives of the Ministry could not give immediate clarification or explanation, the Sub-Committee directed the representatives to furnish written information/replies at the earliest with a view to timely finalisation of the Report on the subject.

5. The Convenor thanked the representatives of the Ministry of Communications & Information Technology (Department of Telecommunications) for appearing before the Sub-Committee and for furnishing information that the Sub-Committee desired in connection with the examination of the subject.

The representatives of the Ministry of Communications & Information Technology (Department of Telecommunications), then withdrew.

6. After a short break the Sub-Committee resumed their sitting and the Audit Officers and the Secretariat briefed the Committee on the various issues concerning the subject on Non-compliance with special reference to the Ministry of Road Transport & Highways.

7. Thereafter, the representatives of the Ministry of Road Transport & Highways were called in and the Convenor welcomed them to the sitting of the Sub-Committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their

Ministry in timely submission of replies to the Audit paragraphs of C&AG. They also, *inter-alia*, threw light on the current status of pending paras in their Ministry. The representatives also explained on the various issues and concerns raised by the Sub-Committee. To certain queries, which the representatives of the Ministry could not give immediate clarification or explanation, the Committee directed the representatives to give written information/replies at the earliest with a view to timely finalization of the Report on the Subject.

The Convenor thanked the representatives of the Ministry of Road Transport & Highways for appearing before the Sub-Committee and furnishing the information that the Sub-Committee desired in connection with the examination of the subject.

The witnessess, then withdrew.

A copy of the verbatim proceeding has been kept on record.

The Sub-Committee then adjourned.

APPENDIX II

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2009-2010) HELD ON 26TH APRIL, 2010

The Committee sat on Monday, the 26th April, 2010 from 1530 hrs. to 1650 hrs.
in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Gopinath Munde — *Chairman*

Lok Sabha

2. Shri Anandrao Vithoba Adsul

3. Shri Khagen Das

4. Shri Naveen Jindal

5. Shri Satpal Maharaj

6. Shri Bhartruhari Mahtab

7. Dr. K. Sambasiva Rao

8. Shri Yashwant Sinha

9. Shri Aruna Kumar Vundavalli

Rajya Sabha

10. Dr. K. Malaisamy

11. Shri N.K. Singh

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*

2. Shri M.K. Madhusudhan — *Additional Director*

3. Shri D.R. Mohanty — *Under Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms. Rekha Gupta — Dy. CAG Central (RC)

2. Shri R.B. Singh — Director General (Report Central)

3. Ms. Usha Sankar — Director General (Autonomous Bodies)

4. Shri Gautham Guha — Director General of Audit (Defence Services)

- | | | |
|----------------------------|---|---|
| 5. Shri P.K. Kataria | — | Pr. Director of Audit Report Central (RC) |
| 6. Shri K.R. Sriram | — | Pr. Director of Audit, Report Central
(Economic & Services Ministries) |
| 7. Shri R.G. Viswanathan | — | Pr. Director of Audit (Scientific Departments) |
| 8. Shri C.M. Sane | — | Principal Director of Audit (Air Force & Navy) |
| 9. Shri H.K. Dharmadhekari | — | Pr. Director (State Report Audit) |
| 10. Shri Rajvir Singh | — | Accountant General (Audit) Delhi |
| 11. Ms. Divya Malhotra | — | Pr. Director of Audit (Railways) |

2. At the outset, the Chairman PAC welcomed the Members of the Committee and the Audit Officers to the sitting of the Committee. The Chairman, then apprised the Committee that out of the eleven Draft Reports slated for consideration, eight have been finalized by Sub-Committee-V. Thereafter, the Committee took up the following Draft Reports for consideration and adoption:

- (i) Draft Report on "**Non-compliance by Ministries/Departments in timely submission of Action Taken Notes on Non-selected Audit Paragraphs**" (Ministry of Finance—Department of Expenditure);
- (ii) Draft Report on "**Functioning of A.D.G.E.S. Radar, Procurement of Special Clothing and Mountaineering Equipment and Delay in Execution/Renewal of lease**" (Ministry of Defence) based on Chapter 1 of C & AG Report No. PA 5 of 2008 (Air Force and Navy), Para No. 3.1 of C & AG Report No. CA 4 of 2008 (Army) and Para No. 2.1 of C & AG Report No. 4 of 2007 (Army) respectively;
- (iii) Draft Report on "**Revenue loss due to delay in levy of Toll Fees**" (Ministry of Road Transport and Highways) based on Chapter XIV of C & AG Report No. CA 2 of 2007;
- (iv) Draft Report on "**Administration of Universal Service Obligation (USO) Fund**" (Ministry of Communications and Information Technology Department of Telecommunications) based on Chapter 1 of C & AG Report No. PA 1 of 2008;
- (v) Draft Report on "**Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and Non-fulfilment of Export Obligation**" (Ministry of Finance—Department of Revenue) based on Para No. 3.24.4 of C & AG Report No. 8 of 2007 (Direct Taxes), Para No. 2.2.1.of C & AG Report No. CA 7 of 2008 (Central Excise) and Para No. 7.1 of C & AG Report No. 10 of 1998 (Customs) respectively.
- (vi) Draft Report on "**Disaster Management and Land Management in Indian Railways**" (Ministry of Railways) based on Chapter I and Chapter II respectively of C & AG Report No. 8 of 2008;

- (vii) Draft Report on "**Conservation and Protection of Tigers in Tiger Reserves**" (Ministry of Environment and Forests) based on C&AG Report No. 18 of 2006;
- (viii) Draft Report on "**Procurement of Stores and Inventory Control**" (Department of Space) based on Chapter II of C & AG Report No. PA 2 of 2008;
- (ix) Draft Report on "**Freight and Wagon Management on Indian Railways**" (Ministry of Railways) based on Chapter I of C& AG Report No. 6 of 2007 (Railway—Performance Audit);
- (x) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Fifty-fifth Report (Fourteenth Lok Sabha) on "**Development of Land by Delhi Development Authority**" (Ministry of Urban Development); and
- (xi) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Eighty-third Report (Fourteenth Lok Sabha) on "**Cleanliness and Sanitation on Indian Railways**" (Ministry of Railways).

3. After some deliberations the Committee adopted the above mentioned Draft Reports with some modifications and authorized the Chairman to finalise these Reports in light of the suggestions made by the Members and the consequential changes arising out of the factual verification by the Audit and present the same to Parliament.

4. The Chairman thanked the Members for their cooperation and active participation in the Committee's deliberations. He also thanked the PAC Secretariat and the Audit Officers for the assistance rendered to the Committee in the examination of the subject and finalization of the Reports.

5. The Members of the Committee thanked the Chairman for his guidance in the smooth conduct of the meetings of the Committee.

The Committee then adjourned.