MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

CHAPTER: I

Bharat Sanchar Nigam Limited

System of billing and collection of Interconnect Usage Charges (IUC) from other service providers

Highlights

Billing and collection of IUC has evolved from a Secondary Switching Areas (SSA) oriented activity in 2003 to a centralised billing and accounting function controlled through a computerised Inter Operator Billing and Accounting System (IOBAS)- by the year 2005.

Audit findings for the period prior to the introduction of IOBAS;

Bangalore telephone district delayed the issue of bills for call violations to seven private operators entailing the risk of loss of Rs.409 crore of IUC.

(Para1.6.1.1)

Arrears of IUC pertaining to pre-IOBAS period were not computed correctly in three telecom circles leading to short collection of Rs.24.67 crore from private operators.

(Paras 1.6.1.3 and 1.6.1.4)

Access deficit charges amounting to Rs.15.15 crore from Reliance Infocomm Limited and Tata Teleservices Limited for the period November 2004 to February 2006 remained unrealised as of March 2007.

(Para 1.6.1.5)

Post IOBAS period audit findings

Non-implementation of Company's instructions on call violations in IOBAS through the application service providers led to short collection of IUC for Rs.44.91 crore.

(Para 1.6.2.2)

Transit charges amounting to Rs.33.38 crore were not billed for different periods in IOBAS.

(Para 1.6.2.3)

Calls generated at the points of interconnect were not reconciled with that billed by IOBAS suggesting revenue loss.

(Para 1.6.2.5)

Payment accounting module in IOBAS was not implemented completely in all telecom circles which deprived the Company of the benefits of managing its accounts through a centralised accounting system.

(Para 1.6.2.6)

Agreement conditions on settlement of disputed claims were not adhered to leading to short collection of IUC amounting to Rs.55.35 crore.

(Para 1.6.2.7)

1.1 Introduction

The Telecom Regulatory Authority of India (TRAI) in January 2003 notified the Telecommunication Interconnection Usage Charges (IUC) Regulation, which covered arrangements amongst service providers for payment of IUC. This regulation detailed the charges payable by one service provider to one or more service providers for usage of the network elements for origination, transit and termination of the calls in a multi operator environment. Tariffs for interconnect charges underwent revisions in February 2004, February 2005 and March 2006.

Before March 2005, billing and collection of IUC was done in a decentralised manner at the Secondary Switching Areas (SSAs) where each SSA raised bills separately on each operator and monitored its payments. This system involved collection of traffic data from the Points of Interconnect (POI), application of relevant tariffs and preparation of operator wise bills. TRAI's directives however, required IUC to be billed on the basis of Minutes of Usage (MoU) based on Call Detail Records (CDRs). In March 2005 BSNL introduced Inter Operator Billing and Accounting System (IOBAS), which is a CDR based computerised billing platform. The billing of IUC through IOBAS was outsourced to three Application Service Providers (ASPs) whose data centers were located at Chennai, Noida and Pune[*]. In each circle an IOBAS finance cell under General Manager (GM) Finance /GM (Telephone Revenue) and an IOBAS Technical cell under GM/ Deputy GM (Network Co-ordination) controls and coordinates the functions of IUC billing, its collection and accounting. At the data centers, a BSNL unit headed by a Chief Accounts Officer/Divisional Engineer liaise between the ASPs and the Company.

The following table depicts the revenue from IUC of BSNL for the three years up to March 2006.

(Rs. in crore)

Year ending	Revenue projected	IUC (Incoming - Revenue)	IUC (Outgoing - Expenditure)
March 2004	1110.00	3927.27	*1310.36*
March 2005	2970.00	5732.07	*1448.21*
March 2006	3800.00	6903.07	*2112.64*

1.2 Scope of Audit

The review covered the billing, collection and accounting of IUC revenue of BSNL for the period April 2003 to March 2007. Audit covered pre-IOBAS billing of Gujarat, Kerala, Maharashtra, Punjab, Tamil Nadu and West Bengal circles and the metro cities of Bangalore, Hyderabad, Kolkota and Chennai. Thirty one SSAs **(Appendix-I)** in the selected circles were covered for the pre-IOBAS billing and the three data centers of the ASPs were covered in audit for the IOBAS period. This effectively covered all the

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[*] *HCL Infosystems Limited with their Data Centre at Noida caters to the circles of Chattisgarh, Madhya Pradesh, Gujarat, Maharashtra and Western Telecom Region. Mahindra British Telecom Ltd. with their Data Centre at Pune caters to Haryana, J&K, Rajasthan, Punjab, Himachal Pradesh, Uttar Pradesh (E), Uttar Pradesh (W), Uttaranchal and Northern Telecom Region. Satyam Computer Services with their Data Centre at Chennai cater to the remaining Southern and Eastern circles.*

telecom circles and the four telecom regions. This report is therefore, divided into two sections, one relating to pre-IOBAS period and the other relating to the IOBAS period.

1.3   Audit objectives

The Audit objectives were to assess that:

(i)   IUC revenue as per tariffs both in pre IOBAS and IOBAS period were realised correctly, completely and were consistent with the IUC agreements and orders issued by the BSNL;

(ii)   The IOBAS was meeting its intended objectives;

(iii)   Adequate controls were built into IOBAS to ensure correctness and completeness of data related to billing; and

(iv)   The dispute resolving mechanisms followed by BSNL were efficient.

1.4   Audit criteria

The main audit criteria used were:

(i)   Terms and conditions of the interconnect agreements with other licensed operators.

(ii)   TRAI's directives on tariffs for interconnect calls.

(iii)   BSNL's orders issued from time to time on charges to be applied for interconnect calls.

(iv)   Best practices in Information Technology.

1.5   Audit methodology

Audit methodology involved the following steps:

(i)   Visit to the selected SSAs for the study of IUC revenue for pre-IOBAS period.

(ii)   Visit to selected POI to understand the flow of interconnect traffic.

(iii)   Interaction with personnel working with IOBAS at the data centre of the ASPs.

(iv)   Identifying the risks that were applicable to key revenue business cycle processes and assessing effectiveness of implementation of relevant internal controls.

(v)   Use of system based techniques like menu facilities in the IOBAS portals.

(vi)   Confirmation of audit observations through issue of test audit memos to the Company officers before firming up Audit conclusions.

1.6   Audit findings

Billing and collection of IUC evolved from a completely SSA oriented activity in 2003 to a centralised billing and accounting function controlled through a computerised billing system- IOBAS- by the year 2005. Audit findings for the period prior to the introduction of IOBAS relate to delay in issue of bills for call violations, incorrect application of rates and short collection of IUC due to non/incorrect implementation of Company's instructions.

Audit also observed that the full capabilities of IOBAS were not being utilised, due to weaknesses in timely configuration of POI/trunk groups to the billing platform,

inconsistencies in the application of charges, and absence of an effective mechanism in reconciling the calls recorded at the POI with calls billed in IOBAS.

Audit findings are discussed in detail in the succeeding paragraphs.

1.6.1 Pre-IOBAS

1.6.1.1 Delay in issue of bills for call violations

BSNL's interconnect agreements specify that bills for IUC are to be issued on a monthly basis and any charges which were omitted from the bills should be claimed within six months of the original bill except in cases of tariff/rate changes notified with retrospective effect, since belated claims risk getting time barred.

Interconnect agreements also stipulate that calls without proper caller line identification (CLI) and calls routed to trunk groups not designated to carry those calls were to be treated as CLI violations and trunk group violation respectively and such calls were to be charged at prescribed higher rates. During pre-IOBAS period, interconnect calls were to be monitored by the POI-in-charges to detect call violations, if any, for claiming the prescribed higher rates from the erring operators.

Audit noticed that IUC bills at higher rates for calls without proper caller line identification recorded in the POI of seven private service providers in Malleswaram POI under Bangalore Telecom District (BGTD) during May 2003 to August 2005, were not raised against the operators within the prescribed period of six months. Claims for these infringements were raised only between October 2005 and May 2006 and none of the operators had made any payments on these claims as of March 2007. While two operators –Tata Teleservices Limited (TTL) and Videsh Sanchar Nigam Limited had challenged these bills on the ground that the claims were raised after the time period fixed in the interconnect agreement, Bharati TeleVentures Limited had asked BSNL to provide CDRs of all the non-CLI calls for their verification. The short claim of IUC on this account worked out to Rs.212.77 crore **(Appendix-II)**. To the audit observation on the non-realisation of IUC on CLI violations, BGTD replied that the operators had paid Rs.7.62 crore against a claim for Rs.8.54 crore, for CLI violation bills, raised from January 2004 onwards. The reply was not tenable since amount billed and realised were not related to the objected CLI violation bills for Rs.212.77 crore.

Similarly, as of March 2007 BGTD had not issued bills at higher rates for trunk group violations of Bharti Telenet Limited (Basic Service Operator) noticed in Malleswaram POI during the period May 2003 to June 2005. IUC at higher rates for this infringement amounted to Rs.196.20 crore **(Appendix-II)**.

On this being pointed out the unit replied that the bills for trunk group violations were not issued because two violations bills could not be raised for the same period for the same trunk group and since a bill for CLI violations had already been raised against the operator. The reply was not tenable since no order of BSNL barred it from issuing separate bills for both trunk group violations and CLI violations. Thus, due to the failure of BGTD to raise IUC claims, BSNL faces the possible loss of Rs.409 crore on IUC revenue as billing was not done within the stipulated period of six months.

1.6.1.2 Short collection of IUC due to incorrect charging for call violation

As per interconnect agreement, if a call is routed to a trunk group which was not designated to carry that call, it should be treated as trunk group call violation and in that

case all the calls in that particular trunk group for the preceding two months or the date of provision of the POI whichever is earlier, should be charged at the highest slab of IUC.

It was noticed in Ahmedabad and Vadodara SSAs of Gujarat telecom circle that higher rate for wrongly routed calls noticed during May 2003 to November 2004 at the POI of Reliance Infocomm Limited (RIL) and TTL was claimed only for the number of wrongly routed calls instead of all the calls recorded on the particular trunk group for the preceding two months as stipulated in the interconnect agreements. This resulted in short collection of Rs.13.71 crore**.** Similar omission was noticed in the POI of RIL in Pune SSA of Maharashtra circle where also there was a short collection of IUC of Rs.1.68 crore **(Appendix-III)**.

On this being pointed out GM Gujarat Circle replied that the Ahmedabad Telephone District was being addressed to issue supplementary bills.

1.6.1.3 Short realisation of IUC arrears due to incorrect application of rates

BSNL from time to time issued instructions on the treatment of interconnect calls and the charges to be applied for different types of calls. Till introduction of IOBAS, it was up to its field formations i.e. SSAs to ensure that these instructions were implemented correctly and arrears realised wherever necessary. Audit noticed that the following orders were either not implemented or implemented incorrectly in Gujarat, Maharashtra, Kerala circles and the metro district of Bangalore.

∗ BSNL Order No. 201-15/2003-Regln of February 2004 specified charging in-roaming calls terminating in 'DA' trunk group @ Rs.1.10, but they were charged @ Rs.0.80 leading to short collection of Rs.3.07 crore from RIL in Kerala, Maharashtra circles and the metro district of Bangalore.

∗ BSNL Order No. 208-15/2003-Regln of October 2003; February 2004 and December 2004 on charging of IUC for intra circle calls from distance up to 50 Km from basic service operator to BSNL was not implemented in the SSAs test checked in Maharashtra circle and the metro district of Bangalore resulting in short collection of Rs.5.61 crore from RIL and Tata Telesemices (M) Limited.

∗ BSNL orders of February 2004 to charge RIL @ Rs.1.75 for calls trunk group 'AB' meant for termination at the same SSA was not implemented in the SSAs in Maharashtra and Gujarat circles resulting in short collection of Rs.3.10 crore.

∗ BSNL Order No.208-15/2003-Regln of January 2004 and No.210-15/2003-Regln of February 2004 were incorrectly implemented in Maharashtra and Gujarat circles resulting in short collection of Rs.2.80 crore.

Total short collection due to failure of the SSAs to follow the above instructions worked out at Rs.14.58 crore **(Appendix-IV)**. On being pointed out by audit of the short billing, the circles agreed to initiate issue of supplementary bills.

1.6.1.4 Short collection due to errors in converting metered call units to minutes of usage

TTL and RIL were offering limited mobile Wireless in Local Loop (Mobile) (WLL (M)) services under their respective brand names 'WALKY' and 'Unlimited Cordless'. Since these services were capable of operating outside the subscriber's premises and within the short distance charging area, BSNL instructed (September 2005) all field units to treat

them as WLL (M) service and to raise arrear IUC bills for all their calls of limited mobile services.

Call data for these limited mobile WLL (M) services were recorded in Metered Call Units (MCUs) and they were required to be converted into Minutes of Usage (MoU) for raising the arrear bills. It was noticed in the SSAs test checked in Maharashtra circle that due to errors in conversion of metered calls into MoU, IUC arrears to be claimed as per the above orders of BSNL were short collected. Short collection on this account worked out to Rs.10.09 crore **(Appendix-V)**.

POIs at Pune Trunk Automatic Exchange and Nasik accepted the audit findings and agreed to issue supplementary bills. Final replies from other SSAs of the circle were awaited.

1.6.1.5 Non-realisation of access deficit charges

In terms of BSNL's instructions (January 2004) for levy of Access Deficit Charges (ADC), other telecom service providers along with their IUC claims from BSNL were to give certified copy of the volume of National Long Distance (NLD) and International Long Distance (ILD) traffic which was not routed through BSNL network. These claims were to be processed by BSNL only on receipt of the certificate from them.

It was noticed in Southern Telecom Region (STR) that RIL and TTL submitted their traffic data for the period November 2004 to February 2006 only in November 2006 and December 2006 respectively. When ADC bills amounting to Rs.15.15 crore[*] based on the traffic data was raised against the operators in January 2007, TTL challenged their bills citing that the issue relating to their 'Walky' service was sub-judice and that the claim has become time barred as per the conditions of the interconnect agreement. STR accepted the explanation of the operator and cancelled the ADC bills of both the operators in February 2007. Similarly, ADC from TTL for the period November 2004 to June 2005 remained unbilled in Maharashtra Circle since the operator had not submitted any traffic data.

On the short realisation of ADC being pointed out, STR replied that the ADC bills were cancelled because the case was sub-judice. However, it was noticed that the same operator had submitted traffic data for the period July 2005 to February 2006 in Maharashtra Circle and had paid Rs.16.82 crore as ADC. Thus, STR should have coordinated with the corporate office and ascertained all facts before cancelling the ADC bills on the operators' plea.

Management response to the audit observations on non realisation of ADC was awaited (October 2007).

1.6.1.6 Overpayment of IUC by BSNL due to non reconciliation of CDR data

BSNL's instructions (April 2003) stipulated that the bills for IUC raised by private operators for calls handed over by BSNL for termination in their networks are subject to post facto reconciliation and are to be treated as only provisional till final settlement. The instructions also stipulated that the duration recorded in the switches can be used for initial reconciliation purposes. The IUC is to be calculated for total duration of the call

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[*] *Reliance Infocomm Limited – Rs.12.17 crore and Tata Teleservices Rs.2.97 crore*

converting it into minutes of usage. The rate applicable was Rs.0.40 per minute up to January 2004 and Rs.0.30 per minute from February 2004.

It was noticed in the Gujarat, Kerala and Punjab circles that during the period from May 2003 to May 2004 these circles paid IUC bills to different private operators without reconciling their claims with BSNL's traffic records. Excess payment of IUC on this account worked out to Rs.2.1 crore **(Appendix-VI)**. On this being pointed out by Audit the SSAs in Kerala circle recovered Rs.97 lakh from the operators and the units in Gujarat circle replied that it would be recovered from the future claims of the operators. Response from Punjab circle was awaited.

1.6.2 Inter operator billing and accounting system (IOBAS)

BSNL engaged (August 2004) Satyam Computer Services Limited, Mahindra British Telecom and HCL Infosystems Limted for providing agency based (Bureau/ASP) model solution for IOBAS and other software components. Since private operators are not given direct access to BSNL switches, the call data recorded at the switches are transferred to an IOBAS console at the POI from where they are in turn transferred to the data centers of the three Application Service Providers (ASPs). The IOBAS data centers then validate the CDRs and interconnect CDRs are processed for billing. ASPs prepare circle wise, operator wise interconnect invoices (incoming and outgoing) and they are transferred to the respective circles through the IOBAS web portals. The telecom circles in their turn scrutinise them and confirm their correctness by way of a sign off. On receipt of the sign off, final bills are generated in the IOBAS on a monthly basis. The circle IOBAS Finance cell receives the bills on line and issues them to the operators and monitors their payment.

The main objectives of this new billing platform were to:

(i)   Produce an invoice for the calls delivered by/ from another operator.

(ii)   Validate/ check the invoices received from other operators for the calls handled by the system.

(iii)   Produce a summarised statement (a net settlement between the two operators).

(iv)   Produce customised reports as per the user requirement.

(v)   Manage Accounting.

BSNL's IOBAS procedure order details the course of action to be taken by the different wings of the Company in getting the services from the three ASPs. Audit findings on the functioning of IOBAS are discussed below:

1.6.2.1 Weak internal controls

Since billing process of IUC is an outsourced function it is imperative that BSNL put adequate control mechanisms in place to ensure correctness and completeness of revenue. It is therefore also important that the business rules of the Company are conveyed correctly to the ASPs for incorporating them into the billing system, procedures are in place to ensure complete configuration of POIs and trunk group data into IOBAS, processes are defined to ensure reconciliation of calls billed in IOBAS with calls registered at the POIs.

Audit noticed that the billing process through IOBAS was adversely affected due to weak internal controls as discussed below:

1.6.2.2 Business rules not incorporated correctly into IOBAS leading to wrong computation of higher charges for calls without proper caller line identification

BSNL's instructions on charging of calls without proper caller line identification stipulate that in case for a billing cycle, the number of calls without proper caller line identification received at POI are less than 0.5 *per cent* of the total number of calls received at that POI, then in such cases the access provider shall be charged for double the number of such non-CLI calls handed-over, at the highest slab of IUC applicable. If such calls exceed 0.5 *per cent* of the total number of calls received at a POI, then all the call recorded in the trunk group from the date of provision of that POI or for the preceding two months, whichever is less shall be charged at the highest slab of IUC. Audit scrutiny of invoices for six months for all the POI in the 14 circles billed by the ASP at Chennai and for two months for 9 circles billed by the ASP at Pune revealed 90 cases where CLI violations exceeded 0.5 *per cent* of the total calls recorded on the trunk group. However, while preparing invoices for these calls the ASPs treated them at par with violations less than 0.5 *per cent* and billed them for double the duration, leading to short claim of IUC amounting to Rs.39.24 crore. Similar omission was noticed at the data center at Noida also where the short collection amounted to Rs.5.67 crore in five cases.

When this short collection of Rs.44.91 crore (**Appendix-VII**) due to incorrect application of Company's instructions was pointed out, the Management stated that only in cases where it is sufficiently established by the concerned BSNL field units that the handover of such calls by the private operator was deliberate, and if such cases exceed 0.5 *per cent*, IOBAS charges the non-CLI cases at the highest slab for that trunk group for the preceding two months or from the date of provisioning of the POI, whichever is less. Keeping this in view, the staff at the data centre has been interacting with the field units for all non-CLI cases, especially those crossing the 0.5 *per cent* limit. In the absence of feedback from the field units, all the non-CLI calls are doubled and charged at the highest slab as per the guidelines from corporate office.

The reply is not tenable because as per BSNL's orders (June 2005) the method of charging of IUC at double the number of calls is applicable only where violations are less than 0.5 *per cent* of the total calls and also when it was established that they were not deliberate. Hence, applying the same tariff for violations less than 0.5 *per cent* and exceeding 0.5 *per cent* of the total calls were against the orders of the Company.

1.6.2.3 Non-billing of transit charges

BSNL issued instructions (June 2006) to all the circles to raise bills for transit charges for both basic and fully mobile/cellular services of all the service providers with effect from (May 2005), though the recovery of the amount from certain cellular mobile service providers and universal access service providers was not to be enforced till further orders from the corporate office.

It was observed from a test check of the invoices generated at the IOBAS data centre at Chennai for STR that the transit charges of Rs.0.19 per minute were included in the tariff from the billing period of August 2006 only. Verification of the records at STR revealed that the circle claimed arrears for the transit charges from May 2005 to May 2006. Thus, for the interim period June and July 2006 transit charges amounting to Rs.4.61 crore were not billed either by STR or by IOBAS. Similarly, short claim of transit charges amounting to Rs.13.33 crore for the period from August 2005 to March 2006 was noticed

at the IOBAS data center at Pune. At the data center at Noida, the short collection of transit charges was Rs.15.44 crore for the period November 2005 to February 2007. Total short billing of IUC on account of the failure to include transit charges in IUC bills worked out to Rs.33.38 crore (**Appendix-VIII**).

1.6.2.4 POI/trunk groups commissioned without configuring into IOBAS

Since interconnect traffic data flow into IOBAS from the POI for billing, their prompt and complete configuration into IOBAS is essential to ensure timely processing of all interconnect CDRs. Delay in configuration of POI into IOBAS would mean delay in billing of interconnect calls generated from them. The IOBAS procedure order provided that the circle IOBAS unit should send the details of new POI to IT project circle for provision in IOBAS and subsequently validate them. Actual provision of the POI including infrastructure facilities should be done only after such updating in the billing system. Further, the circle coordinator should watch the details of all POI in the circle and monitor their changes.

Audit noticed that the provisions of IOBAS procedure order were not strictly implemented by telecom circles and POI/trunk groups were commissioned without configuring the data in IOBAS resulting in CDRs generated by them remaining unrated.

While no bills were generated for periods ranging from 1 month to 11 months for 39 POI commissioned during 2005-2006, in 10 circles[*] under the data center at Chennai, 5 POI, commissioned during 2005 and 13 POI, commissioned in 2006 in 3 circles[*] under the data center at Noida were not billed till March 2007.

Similarly, 636 trunk groups in various POI, under the data centre at Pune remained unbilled for periods ranging from 1 to 14 months. Audit observed that there are no systems in place at the data centers/telecom circles to reconcile the number of working POI with the number of POI wise invoices generated in IOBAS to detect these omissions.

On this being pointed out, Chennai unit replied that the non-billing of POI was due to late receipt of trunk group information from the circle coordinators and that field units had to provide the trunk group information and cross check them with the IOBAS portal. In the absence of such feedback from the field units, it would not be possible to detect any missing trunk groups at the data centre level.

1.6.2.5 Mismatch between the quantum of CDRs generated in the POI and billed in IOBAS

In order to ensure completeness of interconnect revenue it is important to ensure that the quantum of CDRs processed and billed by the ASPs tally with quantum of CDRs generated and transferred from each POI.

The Company developed (March 2006) an application software viz. CDR based Audit System (CDRAS) which compare CDRs generated by the POI with that billed in IOBAS. This software meant for installation in all POI, allows the Company to reconcile the number of CDRs billed by the ASP with that transferred from the POI. Utilisation of

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[*] *Andhra Pradesh, Bihar, Kerala, Karnataka, North East I, Orissa, West Bengal, Kolkota, Southern Telecom Region and Eastern Telecom Region*
[*] *Madhya Pradesh, Gujarat and Maharashtra*

CDRAS as of March 2007 in POIs under the jurisdiction of the three ASPs was as follows:

Name of ASP	Total Number of POI	No. of POI with CDRAS	Percentage of utilisation
Satyam	742	113	15.23
HCL	480	250	52.08
MBT	411	282	68.61

At the end of each billing month the IOBAS data centers upload on to the IOBAS portal POI wise duration of interconnect calls billed. The telecom circles should compare the duration of interconnect calls bills with that registered in the CDRAS to ensure completeness of billing. Hence, it is imperative that mismatch if any, in call duration billed in IOBAS and registered in CDRAS are required to be reconciled.

Audit, on a comparison of the duration of calls billed in IOBAS and the duration of calls registered as per CDRAS data uploaded in IOBAS portal, noticed that in the two months test checked (October 2006 and January 2007) the difference between calls registered as per CDRAS and billed at IOBAS was more than 139 crore minutes which translated into a potential revenue of Rs.42 crore worked out on the basis of the minimum charge of Rs.0.30 per minute (**Appendix-IX**).

 Management in response stated that the difference between IOBAS data and the CDRAS were mainly due to reasons like mismatch in name of operators in CDRAS and IOBAS, MoU input from CDRAS in seconds instead of minutes, etc., but added that the matter was referred to the circles for verification. The reply was not tenable since the above difference was worked out after allowing for all the reasons given by the Management.

1.6.2.6 Delay in implementation of payment accounting module in IOBAS

Managing accounts through a centralised accounting system was an important objective of IOBAS. Payment accounting module in IOBAS facilitates this objective. But it was noticed that, payment accounting module was implemented from September 2006 only in the data centers of Pune and Noida. Even after its implementation its effective utilisation was found wanting in Pune data center in as much as out of eight circles and six sub-regions under Northern Telecom Region, five circles and four sub-regions had neither updated the payment particulars for receivables and payables nor provided the opening balance of outstanding dues as of March 2007. Out of 14 circles and 2 telecom regions covered under Chennai data center, 5 circles and 2 sub-circles under STR has not started entering payment noting in IOBAS. As of March 2007 other circles had updated the payment particulars only up to July/September 2006.

The non-implementation of the payment accounting module had deprived the Company of managing its accounts through a centralised accounting system.

1.6.2.7 Agreement conditions on settlement of disputed claims were not adhered to leading to short collection of IUC

As per the conditions of the interconnect agreements, the bills issued by BSNL was to treated as final and in case of difference up to 0.25 *per cent* plus/minus with the billing records of the other licensed operators, the amount billed by BSNL was to be treated as

final. If the difference was more that plus/minus 0.25 *per cent* but up to plus/minus 2 *per cent*, payment was to be made by the other licensed operators. However, reconciliation of variance was to be carried out by both the parties subject to dispute resolution mechanism specified in the agreement. Variance beyond this limit was also subject to the dispute resolution mechanism but the operator was to pay BSNL the undisputed amount plus 50 *per cent* of the disputed amount subject to a minimum of an amount equal to previous month's billed amount.

It was observed in the circles of Andhra Pradesh, Southern Telecom Sub Region and Kerala that the these units did not adhere to the conditions specified in the IUC agreements leading to short recovery of IUC to the tune of Rs.55.35 crore (**Appendix-X**). It was noticed that BSNL was accepting IUC charges as calculated by the private operators instead of invoices raised. Management response to the audit observations was awaited (May 2007).

1.7   *Conclusion*

With the introduction of IOBAS the Company has not only confirmed compliance with TRAI's regulation of MoU based billing but also made the billing process more systematic and better organised. Nevertheless, audit findings, as brought out in the report points to the need for strengthening the existing control mechanisms associated with the billing system to confirm that revenue from this important stream is realised completely. Speedy implementation of CDRAS or a suitable package is required to be carried out in all POI since this is a vital tool which would help the Company in evaluating the billed duration of calls in IOBAS vis-à-vis that registered in the POI. Further, implementation of the payment accounting module and its timely update by all circles is to be ensured so that IUC account can be managed more effectively. Also, issues relating to pre-IOBAS period like short realization of IUC due to delay in issue of bills by BGTD, short collections of arrears on IUC, etc, are to be addressed and resolved in a fixed time frame. Follow up actions on the audit findings, as assured by the Management in the exit conference would ensure consistency and completeness of IUC revenue.

1.8   *Recommendations*

∗   All telecom circles/SSAs should be instructed to confirm the correctness of arrears of IUC and ADC claimed from private operators and fix time frame to complete the exercise.

∗   Company's instructions on charging of call violations, both caller line identification violations and trunk group violations, should be enforced through the application service providers.

∗   Checking the continuity of the CDR data received from the points of interconnect should be strengthened so as to ensure that there is no unexplained gap between successive CDRs.

∗   Provisions of interconnect agreements and the Company's instructions on payment of disputed bills should be strictly enforced so as to ensure effective realisation of IUC revenue.

The matter was reported to the Ministry (November 2007), its reply was awaited.