

CHAPTER II REVENUE

2.1 Delay in realisation of dues and loss of interest

Failure of Bharat Sanchar Nigam Limited to realise outstanding dues of Rs 107.28 crore in time from Videsh Sanchar Nigam Limited resulted in loss of interest of Rs 17.72 crore. Delays in issue and realisation of bills resulted in further loss of interest to the tune of Rs 17.77 crore.

The Department of Telecommunications signed a Memorandum of Understanding (MoU) (July 1999) with Videsh Sanchar Nigam Limited (VSNL), an international long distance operator (ILDO) providing international long distance services. As per the terms and conditions of the MoU, super group charges* in respect of the leased circuits were to be paid by VSNL within two weeks of their becoming due.

A test check of records of Chief General Manager (CGM), Maharashtra Telecom Circle (MTC), (January 2003 and April 2004) revealed that bills were issued for super group charges to VSNL, quarterly upto June 2002 and monthly thereafter, with delays ranging from 14 days to 143 days. VSNL further delayed the payments for periods ranging from 28 days to 107 days. VSNL also availed of a discount of 30 *per cent* on its own, claiming that they were entitled to the discount as per BSNL's order issued in January 2002. The order granted discount to high-end users of leased circuits and not to ILDOs. However, as the orders were silent about the applicability of the discount to ILDOs, VSNL claimed the discount, which resulted in short-realisation of dues to the extent of Rs 107.28 crore during January 2002 to March 2003.

CGM, MTC sought (June 2002) a clarification from BSNL Corporate Office and on their advice, negotiated with VSNL, offering discount on certain terms and conditions including matching discount for BSNL, which did not materialise. Finally, BSNL Corporate Office, after an inordinate delay of one year and eight months, conveyed to VSNL (February 2004) that it was not entitled to the discount. VSNL paid the entire amount of Rs 107.28 crore in March/April 2004.

Thus, delay in realisation of the above dues resulted in loss of interest accrued thereon, which worked out to Rs 35.49 crore, calculated conservatively at the Prime Lending Rate of the State Bank of India, Rs 9.74 crore due to delay in issue of bills by BSNL, Rs 8.03 crore due to delay in payment of bills by VSNL and Rs 17.72 crore on account of delayed realisation of Rs 107.28 crore.

* *super group charges - Leased line charges for high usage routes.*

BSNL delayed issue of bills to VSNL for super group charges and VSNL delayed payments

VSNL unilaterally claimed a discount resulting in short realisation of Rs 107.28 crore

BSNL informed VSNL that it was not entitled to the discount

Delay in issue of bills and realisation resulted in loss of interest of Rs 35.49 crore

On this being pointed out by Audit in January 2003 and April 2004, the CGM, MTC stated in reply (June 2004) that there was no provision in the MoU to charge interest on delayed payments and that the services to VSNL could not have been terminated, considering the common interests of BSNL and VSNL.

The reply is not tenable as BSNL took unduly long time in clarifying the non-extension of discount to VSNL. It also failed to enter into a MoU with VSNL for the subsequent period (i.e. 2000-01 onwards) to safeguard its own interest by providing adequate penal interest clause for delayed payment by VSNL in spite of knowing that VSNL was routinely making delayed payment.

This indicates that there is a need for BSNL authorities to ensure prompt realisation of dues and not lose sight of the loss of interest that accrues on delayed payments.

The matter was referred to the Ministry in September 2004; its reply was awaited as of November 2004.

2.2 Non-collection of revenue from cellular mobile subscribers

Failure of Bharat Sanchar Nigam Limited to implement stipulated safeguards resulted in accumulation of outstanding dues of Rs 13.98 crore in 10 telecom circles on post-paid mobile telephony which remained unrealised as of August 2004.

Bharat Sanchar Nigam Limited (BSNL) started post-paid mobile telephony under the brand name "Cell One" with effect from October 2002. Five Zonal Billing Centres were formed at Tiruchirapalli, Hyderabad, Pune, Chandigarh and Kolkata under General Manager, Cellular Mobile Telephone Service (CMTS) of their respective circles. The Zonal Billing Centres were made responsible for processing of bills, monitoring of payments, generation of various reports for monitoring of revenue collection and processing for withdrawal of outgoing/incoming calls in cases of non-payment of dues for all circles under their billing jurisdiction.

The manual for CMTS billing, accounting and commercial practices stipulated the following guidelines to avoid pilferage and loss of revenue:

To avoid pilferage and loss of revenue, BSNL fixed certain safeguards in respect of post-paid mobile telephony

- Establishment of the credentials of the applicants through identity documents and introduction of the process of post-verification of address and credit-worthiness of customers through outsourcing as also internal efforts.
- Collection of appropriate security deposit for optional facilities like STD/ISD/National/International roaming and other services.
- Fixation of a credit limit for all customers based on the calling profile and restriction of calls based on their credit limit.

- Generation of interim bills in between the regular monthly bills where the total calls of a customer exceeded the prescribed threshold limit and disconnection of outgoing and incoming facility due to non-payment of dues by due dates.
- Dealers appointed for marketing and distribution were required to ensure that no fraud of any kind was committed by any prospective subscribers and they were to be held responsible for the costs and consequences thereof.

Failure to follow these safeguards resulted in outstanding of Rs 13.98 crore against subscribers in 10 telecom circles

A test-check of records in 25 Secondary Switching Areas (SSAs) under 10 telecom circles involving all the five Zonal Billing Centres revealed that the above safeguards were not put in place. As a result, Rs 13.98 crore was outstanding against 395 subscribers within one year of introduction of “Cell One”. Out of 395 mobile subscribers, subscribers of BSNL and its authorised dealers were 206 and 189 respectively as shown in Appendix – 1.

The main reasons for huge outstanding dues were:

- Threshold server could not be made operational in the Zonal Billing Centres, as a result of which safeguards of monitoring credit limits, call restrictions, generation of interim bills, auto disconnection and generation of reports for monitoring of revenue collection could not be implemented.
- Inadequate verification of identity documents by the SSAs and by the dealers.
- Failure of the SSAs to disconnect due to non-payment of bills in the event of threshold server at Zonal Billing Centres being non-operational.
- Delay in issue of bills and delayed billing of roaming charges.

On this being pointed out by Audit, SSAs in their reply accepted the facts and figures as also the reasons for huge outstanding. They also stated that the threshold server had been made operational at the Zonal Billing Centres at Hyderabad, Kolkata, Tiruchirapalli and Pune during August, November, December 2003 and May 2004 respectively. It was yet to be made operational at Chandigarh (September 2004).

It is imperative that all the safeguards stipulated for prevention of pilferage and loss are followed scrupulously to avoid recurrence of such instances. The recovery of outstanding dues should be vigorously pursued. BSNL should also recover the loss from the dealers who provided connections to the subscribers as stipulated in the agreement.

The matter was referred to the Ministry in September 2004; its reply was awaited as of November 2004.

2.3 Continuation of telephone facilities despite non-payment of dues

Failure to disconnect telephone connections of subscribers/STD PCO operators by the due date despite non-payment of dues in 16 SSAs under Bihar, Gujarat, Jharkhand, Karnataka, Maharashtra and Rajasthan Telecom circles resulted in accumulation of dues to the extent of Rs 11.51 crore.

Telephone bills are payable within 15 days from the date of issue and STD/PCO bills are payable within four working days of the date of receipt of bills

Test check disclosed accumulation of dues to the extent of Rs 11.51 crore due to continuation of facilities despite non-payment

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), envisage that telephone bills are payable by the subscribers within 15 days of the date of issue of bills. In case of non-payments, the telephones are liable to be disconnected on the 40th day. In the case of STD/PCOs bills are payable within four working days from the date of the receipt of bills, failing which the connections are liable to be disconnected.

Audit scrutiny of records of 16 SSAs under six telecom circles during May 2001 to June 2004 revealed that the company continued to provide telephone services despite non-payment of dues by subscribers and STD/PCO operators. This resulted in accumulation of dues to the extent of Rs 11.51 crore for the period April 1990 to March 2004, as shown in Appendix -2.

While accepting the facts and figures, the SSAs stated that action was being taken to recover the outstanding dues and disconnect the telephone facilities of defaulting subscribers. Out of Rs 11.51 crore, an amount of Rs 1.53 crore was recovered in Bihar, Maharashtra and Rajasthan Telecom circles. Recovery in respect of balance amount was awaited as of November 2004.

Comments regarding continuance of telephone facilities despite non-payment of dues had been included in the Audit Reports of the Comptroller and Auditor General of India for the last 6 years. The Ministry, in its Action Taken note (ATN), had stated (December 2003) that there was no deficiency in the existing system but failure to follow the system and procedures. This indicates that there is a need to fix responsibility and take appropriate action in such cases to avoid recurrence of this persistent irregularity.

The matter was referred to the Ministry in July 2004/November 2004; its reply was awaited as of November 2004.

2.4 Non-billing due to non-receipt of advice notes

Company failed to raise bills to the tune of Rs 4.56 crore due to non-receipt of completed advice notes in Telephone Revenue Accounting branches.

The operating branch of the telephone district is required to send completed advice notes to the Telephone Revenue Account (TRA) branch within seven days of providing telecommunication facilities to enable the latter to post the

details in the Subscriber Record Cards (SRCs) and issue bills to the subscribers. The TRA branch is also required to obtain a list of non-directory items from the operating branch in April each year and check it with SRCs to ensure that the rentals in respect of all the telecommunication facilities had been recovered.

Test check disclosed non-billing of Rs 4.56 crore in eight telecom circles due to non-receipt of completed advice notes

Test-check of records pertaining to Andhra Pradesh, Assam, Bihar, Gujarat, Jharkhand, Maharashtra, North East – I and Rajasthan Telecom circles during June 2003 to April 2004 revealed non-billing to the tune of Rs 4.56 crore towards the rentals in respect of telecommunication facilities provided to 27 subscribers for the period October 1995 to December 2004 due to non-receipt of completed advice notes.

On this being pointed out by Audit (June 2003 to April 2004), the Management recovered Rs 2.27 crore. Recovery particulars of the balance amount of Rs 2.29 crore were awaited as of November 2004. The details are given in Appendix - 3.

Cases of delayed billing/non-billing due to non-receipt of completed advice notes by TRA branch have been commented upon in the Reports of the Comptroller and Auditor General of India in the past. Bharat Sanchar Nigam Limited (BSNL), in December 2001 reiterated the instructions for the receipt of completed advice notes in TRA branches for strict observance. Despite this, the deficiency still persists.

BSNL should fix responsibility and take appropriate action in such cases to ensure that the prescribed procedure and instructions are scrupulously followed so that the recurrence of this persistent irregularity is avoided.

The matter was referred to the Ministry in August 2004; the Ministry in its reply (October 2004) confirmed the facts and figures in respect of the Gujarat Circle and stated that Rs 9.33 lakh had been recovered. Replies in respect of the other circles were awaited as of November 2004.

2.5 Short realisation of rentals due to non application of revised tariff

Failure of six Secondary Switching Areas (SSAs) under three telecom circles to revise rentals of lines and wires and speech circuits leased to the Railways led to short realisation of Rs 2.58 crore.

Rentals for lines and wires and speech circuits leased to the Railways are initially recovered on provisional basis pending finalisation of rates, which are decided later, for a block of five years in consultation with the Railway Board. Bharat Sanchar Nigam Limited (BSNL) fixed the final rentals applicable for the block 1986-87 to 1990-91 in August 1998 and those for the block 1991-92 to 1995-96 in February 2002. Supplementary bills were to be issued for billing

the differential amounts between the final rentals fixed and provisional rentals already billed and differential amounts between the provisional rentals due and already claimed.

BSNL failed to recover differential rentals resulting in short recovery of Rs 2.58 crore

Test-check of records of six Secondary Switching Areas (SSAs) under the Karnataka, Uttar Pradesh (West) and Orissa Telecom Circles revealed that the Company failed to issue supplementary bills for the differential amounts. This resulted in short recovery of rentals to the tune of Rs 2.58 crore for the period April 1986 to November 2004 in respect of lines and wires and speech circuits leased to Railways as detailed in Appendix - 4.

On this being pointed out by Audit, five SSAs issued bills for Rs 1.91 crore and recovered Rs 1.13 crore. SSA Bareilly stated that bills for Rs 67 lakh would be issued after verification. Recovery particulars for the balance amount were awaited as of November 2004.

Comments regarding non-revision of rentals in respect of lines and wires and speech circuits provided to Railways had been included in the Audit Reports of the Comptroller and Auditor General of India in the last three years (Para 7.1 (5) of 6 of 2002, Para 14.3 (10) of 5 of 2003 and Para 2.9.3 of 5 of 2004). The Ministry, in its Action Taken Note, stated (September 2003) that there was no deficiency in the existing system but failure to follow the system and procedures due to unintended omission. This indicates that there is a need to fix responsibility and take appropriate action in such cases to avoid recurrence. Timely revision of rentals immediately after the completion of each block period would also help in preventing recurrence of such omissions.

The Ministry stated (November 2004) that a sum of Rs 1.13 crore out of Rs 1.33 crore under the Karnataka Telecom Circle has been recovered. The recovery particulars of the balance amount were awaited as of November 2004.

2.6 Non-billing of penal interest

Bharat Sanchar Nigam Limited failed to claim and recover penal interest of Rs 1.74 crore from Nuclear Power Corporation of India Limited.

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), stipulate that penal interest at the rate of 18 *per cent* of the amounts due is to be charged if payments are not received by the due date and services are to be withdrawn for non-payment of dues along with the penal interest within two months of the due dates. Penal interest is to be recovered from all subscribers of satellite circuits including PSUs/Government agencies.

BSNL failed to charge penal interest of Rs 1.74 crore for delayed payments by NPCIL

BSNL provided three services viz., Satellite Speech circuits, Data circuits and annual maintenance of Earth Stations at various locations to Nuclear Power Corporation of India Limited (NPCIL). Audit scrutiny (June 2003) of records pertaining to the Northern Telecom Region (NTR), revealed that the Company had not charged penal interest amounting to Rs 1.74 crore towards the delayed

payments received from NPCIL (delay ranged from 101 days to five years 91 days) for the billing period April 1998 to June 2003.

On this being pointed out by Audit (June 2003), the company disconnected the services on 30 June 2003 and raised bills for penal interest amounting to Rs 1.68 crore in July 2003 and Rs 6 lakh in April 2004. The recovery particulars were awaited as of June 2004.

The Management, in its reply, stated (April 2004) that the case would be forwarded to the Corporate Office for review and waiver on the lines of microwave circuits, where such penal interest was not applicable, since realisation of penal interest from Government organisations was very difficult.

The reply of the Management is not tenable since the instant case pertains to satellite circuits and not microwave circuits. The clarification of DoT issued in September 1999 envisages that penal interest was recoverable from all the subscribers of satellite circuits including PSUs/Government agencies. The Company needs to vigorously pursue the case with NPCIL for recovery of the outstanding penal interest of Rs 1.74 crore.

The matter was referred to the Ministry in July 2004; its reply was awaited as of November 2004.

2.7 Loss of revenue

DoT/BSNL failed to fix the final rental in a rent and guarantee case within the prescribed time limit. Their belated attempt to realise the final rental was turned down by the Telecom Disputes Settlement and Appellate Tribunal resulting in loss of revenue of Rs 1.59 crore.

Rules provide for quoting of final rentals in all Rent and Guarantee cases before commissioning or within one year of commissioning

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), stipulate that the final rental in all Rent and Guarantee (R&G) cases should be quoted before commissioning of the services. If the same cannot be done due to unavoidable circumstances, the rental quoted would be provisional and the final rental should be quoted within one year of commissioning of the services. Further, if it is observed that due care has not been taken while calculating the provisional rental based on project estimates, the concerned Chief General Manager (CGM) should take necessary action to fix responsibility.

General Manager, Telecommunications (GMT), Calicut under the Kerala Telecom Circle, provided (May 1997) a 2 GHz Digital Microwave Link for Public Switched Telephone Network (PSTN) connectivity to M/s Escotel Mobile Communications Limited (party) on R&G basis, the minimum guarantee period for which was five years. The provisional rental for the facility was fixed and billed at Rs 11.42 lakh per annum (November 1996).

Final rental had not been quoted despite lapse of two years, resulting in loss of revenue of Rs 1.59 crore

Audit scrutiny (February 1999) revealed that the rental worked out to Rs 19.92 lakh based on the detailed estimates sanctioned in January 1997 instead of Rs 11.42 lakh per annum. It was also observed that the final rental had not been quoted despite the lapse of two years since its provision, in violation of departmental rules.

On this being pointed out by Audit, the Chief General Manager Telecom, Kerala Circle, replied (May 2000) that the final rental in this case could not be quoted within the time limit due to delay in getting the actual cost of the work from the Director, Transmission Installation. He added that the case had been reviewed and the final rental had been fixed and billed at a flat rate of Rs 40 lakh per annum since the flat rate was higher than the rental fixed on the basis of capital cost. The party approached (2001) the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) which turned down the revision of rental as DoT had failed to quote the final rental within the stipulated period.

Thus lack of co-ordination between different wings of the BSNL led to the failure in fixing the final rental within the prescribed time limit. This resulted in loss of revenue of Rs 1.59 crore for the period from May 1997 to December 2002. No action was taken to fix responsibility for erroneous calculation of provisional rental and delay in fixing final rental. This indicated that the mechanism to ensure that SSAs followed the orders/instructions issued by BSNL from time to time required improvement.

The matter was referred to the Ministry in August 2004; its reply was awaited as of November 2004.

2.8 Short billing of installation charges and rentals

Failure to recover installation charges and rentals at the enhanced rates consequent on the increase in exchange capacity resulted in short billing of Rs 1.59 crore.

Installation charges and rentals are required to be increased with increase in exchange capacity

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), provide for installation charges and rentals based on the capacity of an exchange and nature of its location i.e. urban or rural. Whenever equipped capacity of an exchange is increased, the installation charges and rentals are also to be increased. For the purpose, the Telecom Revenue Accounts (TRA) branch should be furnished with a half-yearly statement of the equipped capacity of various exchanges by the Engineering Wing. The TRA branch should revise the rentals from the next prescribed date of changeover, wherever necessary.

BSNL failed to realise installation charges and rentals at enhanced rates amounting to Rs 1.59 crore

Test check of records of Telecom District Managers (TDMs), Pratapgarh, Bahraich and Gonda under the Uttar Pradesh (East) Telecom Circle and General Managers Telecom Districts (GMsTDs) Vishakhapatnam, Kurnool, Eluru, Khammam and Nalgonda under the Andhra Pradesh Telecom Circle revealed that they failed to issue bills for installation charges and rentals at the

enhanced rates consequent on the increase in exchange capacity from lower configuration to 500/1000 lines and above. This resulted in short billing of Rs 1.59 crore between January 1999 and December 2003 as shown in Appendix-5.

On this being pointed out by Audit between November 2002 and December 2003, the TDMs, Pratapgarh and Gonda, stated that due to non-receipt of actual date of commissioning of 1000 lines for each exchange from the Engineering Wing, the revision of rentals was pending. The TDM Gonda and the GMsTDs Vishakhapatnam, Eluru, Khammam, Kurnool and Nalgonda issued the bills for Rs 61.69 lakh and realised/adjusted Rs 45.86 lakh. Recovery particulars of the balance amount were awaited.

Thus, lack of coordination between different wings of BSNL led to short realisation of installation charges and rentals.

The matter was referred to the Ministry in August 2004; its reply was awaited as of November 2004.

2.9 Non/Short billing of rentals in respect of interconnection facilities to Defence

Chief General Manager Telephones, Calcutta Telephones failed to charge additional rentals of Rs 1.03 crore from Defence authorities for providing interconnection facilities.

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), stipulate that additional charges for interconnection facilities between the Defence network and the Department of Telecommunications (DoT)/BSNL network are to be levied at the rate of 33.33 *per cent* of the notional rental of trunk circuits at the prevailing rates, besides the normal rentals for Defence owned speech circuits.

Audit scrutiny of records of Calcutta Telephones revealed that the billing authority, while raising the bills for rentals in respect of Defence owned speech circuits, did not revise the interconnection charges corresponding to the periodical revisions of rentals of the circuits. In respect of certain Defence speech circuits, the billing authority did not even raise the bills for interconnection charges. The failure to revise/raise bills for additional rentals on account of interconnection facilities resulted in non/short billing of Rs 1.03 crore for the period 1983 to 2005.

While Audit pointed out the above non-revision/non-levying of additional rentals to Calcutta Telephones way back in August 1998, the billing authority did not raise the bills to recover the outstanding amount, awaiting certain information from the Engineering wing. They pursued the matter with the Engineering wing for confirmation/information regarding the number of Defence speech circuits working with interconnection facilities. It was only

Failure of Calcutta Telephones to revise/raise bills for additional rentals on account of interconnection facilities between Defence and DoT/BSNL networks resulted in non/short billing of Rs 1.03 crore

after a lapse of more than four years and after vigorous pursuance by Audit that the Deputy General Manager (Corporate Customer) instructed (February 2003) the concerned Accounts officer to realise the outstanding amount by issuing supplementary bills.

The matter was referred to the Ministry in July 2004 and it replied (November 2004) that BSNL had issued bills to the extent of Rs 1.14 crore to the Defence authorities and payment was yet to be received.

2.10 Short billing of revenue

Failure of three General Managers under the Kerala Telecom Circle to charge rentals for leased circuits within a short distance charging area as per the resources utilised, resulted in short billing of Rs 92.89 lakh.

Rules provide for charging of rental of leased circuits within a SDCA as per the resources utilised

The Department of Telecommunications (DoT) issued instructions in February 2000 that for the purpose of calculating rentals for leased circuits within a Short Distance Charging Area (SDCA), services provided would be considered as the Main Circuit and chargeable distance would be the distance between the customer's premises at either end. DoT further clarified (April 2002) that these circuits may be charged as per the resources utilised i.e. 2 wire charges if single pair was used and 4 wire charges if two pairs were used.

Rentals for leased circuits provided on 4 wire modems were billed at 2 wire charges, resulting in short billing of Rs 92.89 lakh

Audit scrutiny of records of Calicut, Ernakulam and Kollam Secondary Switching Areas (SSAs) under the Kerala Telecom Circle during September 2003 and March 2004 revealed that rentals for leased circuits provided on 4 wire modems within the respective SDCAs had been billed at 2 wire charges instead of 4 wire charges resulting in short billing to the tune of Rs 92.89 lakh during the period March 2000 to June 2004.

On this being pointed out, Kollam and Calicut SSAs issued bills for Rs 10.68 lakh except to one subscriber in Calicut SSA as their connections were already closed. Recovery particulars were awaited. Ernakulam SSA took up the matter in April 2004 with BSNL Corporate office pleading that only 2 wire charges be fixed as rentals since corporate customers were likely to close their circuits as competitors were likely to offer lesser rates. BSNL Corporate office clarified (June 2004) that the proposal was not acceptable since it was the choice of the customer to use 2 wire or 4 wire modem and pay accordingly. Ernakulam SSA was in the process of issuing the bills for Rs 82.21 lakh (July 2004).

The matter was brought to the notice of the Ministry in July 2004; its reply was awaited as of November 2004.

2.11 Non billing of rentals in respect of lines and wires leased to Railways

Failure of Circle Telecom Accounts branch under the Jharkhand Telecom Circle and three Secondary Switching Areas under the Tamil Nadu Telecom Circle to recover rentals for the lines and wires leased to the Railways after change in billing authority, resulted in non-billing of Rs 60.07 lakh.

Rules provide for preferring half-yearly bills to Railways

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), provide that bills in respect of lines and wires provided to the Railways for their exclusive use should be preferred, half-yearly, in arrears for the period ending March and September at the rates fixed from time to time. Circle Telecom Accounts (CTA) branch was responsible for preferring of bills and collection of rentals for the lines and wires leased to the Railways. However, some of the circles transferred the work relating to billing to the concerned Secondary Switching Areas (SSAs).

After creation of the Jharkhand Telecom Circle (April 2001), the bills for the rentals in respect of the lines and wires leased to the Railways were to be raised by CTA, Ranchi, under that circle. However, test check of records (March 2004) of CTA, Ranchi, revealed that the bills were not raised, resulting in non-billing of Rs 48.13 lakh for the period April 2001 to March 2004.

Similarly, test check of records of General Managers Telecom Districts (GMsTDs) Tuticorin, Thanjavur and Karaikudi (September/October 2003) under the Tamil Nadu Telecom Circle revealed that the billing of lines and wires leased to the Railways was decentralised (December 2002) from the CTAs to the concerned SSAs, but the concerned GMsTDs failed to issue the bills for rentals for the period April 2003 to March 2004 resulting in non-billing of Rs 11.94 lakh.

BSNL units in two telecom circles did not raise bills amounting to Rs 60.07 lakh

Thus, failure to follow the orders/instructions by the concerned billing authorities resulted in non-billing of Rs 60.07 lakh between April 2001 and March 2004. On this being pointed out by Audit, the concerned SSAs issued bills for Rs 60.07 lakh and realised Rs 4.70 lakh as shown in Appendix - 6. Recovery particulars of the balance amount were awaited as of November 2004.

The Deputy General Manager (Finance), Office of the Chief General Manager Telecom, Jharkhand, stated (May 2004) that the delay in submission of bills was due to late receipt of related documents and records from the Bihar Telecom Circle. This indicates lack of proper monitoring mechanism to ensure prompt billing by SSAs.

The matter was referred to the Ministry in July 2004; its reply was awaited as of November 2004.

2.12 Short billing of rental for leased circuits

Failure of three Secondary Switching Areas (SSAs) under the Andhra Pradesh Circle to calculate chargeable distances as per revised instructions resulted in short billing of rentals for leased circuits to the tune of Rs 55.37 lakh.

A leased circuit is a dedicated link provided between two fixed locations for exclusive use by a customer. The rentals for leased circuits are calculated on the basis of chargeable distances for the local leads and the main circuits. Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), revised (April 1999) and subsequently clarified (February 2000) the method of calculating the chargeable distance for main circuits and local leads.

Failure to follow revised instructions regarding chargeable distances resulted in short billing of rentals for leased circuits totalling Rs 55.37 lakh

Test check of records of Principal General Manager Telecom District (PGMTD) Hyderabad and General Managers Telecom Districts (GMsTDs) Tirupati and Kurnool under the Andhra Pradesh Telecom Circle (October 2003 to December 2003) revealed that while calculating the rentals for leased circuits, the chargeable distances between the two end-exchanges were treated as main circuits and the chargeable distances between the end-exchanges* and customer's premises were treated as local leads, instead of treating the chargeable distances between the two charging centres** as main circuits and charging centres to customer's premises as local leads as per revised instructions. The failure to follow the revised instructions resulted in short billing of Rs 55.37 lakh as shown in Appendix – 7 for the period May 1999 to April 2004. On this being pointed out by Audit, the SSAs issued bills for Rs 55.37 lakh and recovered Rs 4.09 lakh. Recovery particulars of balance amount were awaited as of November 2004.

The General Manager (Finance), Office of the PGMTD Hyderabad stated (January 2004) that the short billing was mainly due to the failure of the Commercial Branch to intimate correct distances as per the revised instructions, to the Accounts Branch. He also stated that the Commercial Branch had been suitably instructed to furnish distances as per the revised instructions in the Advice Notes itself. This indicates that there is a need for greater coordination between different wings for ensuring that the SSAs follow the instructions issued by BSNL.

The matter was referred to the Ministry in July 2004; its reply was awaited as of November 2004.

*Exchange from where connectivity is given to a subscriber.

** Particular exchange declared as charging centre by Telegraph Authority

2.13 Non-recovery of compensation for the unexpired period of guarantee

Failure of the Chief General Manager, Chennai Telephones, to issue bills for compensation for the unexpired period of guarantee on premature surrender of dedicated cables provided on rent and guarantee basis resulted in non-recovery of rentals of Rs 51.86 lakh.

Rules provide for recovery of compensation for premature surrender of cables provided on R&G basis

Rules, adopted by Bharat Sanchar Nigam Limited (BSNL), stipulate that cables laid for the exclusive use of subscribers which involve new construction are to be provided on rent and guarantee (R&G) basis. The R&G based on the capital cost should be quoted before commissioning of the services. If the same cannot be done due to unavoidable circumstances, the rental quoted would be provisional, based on the estimated capital cost. The final rental, based on the actual capital cost, should be quoted within one year of the commissioning of the services. The initial period of guarantee for dedicated cables would be 10 years. When the cables are surrendered before the expiry of the initial period of guarantee, the compensation recoverable for the unexpired period would be 10 *per cent* of the capital cost for each of the remaining years including the year in which it is surrendered.

BSNL failed to recover compensation of Rs 51.86 lakh on premature surrender of dedicated cables

Test check of the records of the Deputy General Manager (Long Distance) under Chennai Telephones (September 2003) revealed that the final rentals were not quoted in respect of eight subscribers, who were provided dedicated cables, even after one year of commissioning of services, in contravention of the rules. In all these eight cases, the subscribers surrendered the facilities before the expiry of their guarantee periods. The Commercial Branch issued advice notes for the closure of the facilities and asked the Telephone Revenue Accounts (TRA) Branch to recover the compensation. The TRA Branch failed to recover the compensation for the unexpired period of guarantee, even on provisional rentals, resulting in non-recovery of Rs 51.86 lakh as shown in Appendix – 8.

On this being pointed out by Audit, the Chief General Manager, Chennai Telephones stated (May 2004) that only provisional rentals were being recovered since the final rentals had not been fixed due to non-receipt of completion reports from the Transmission Planning Unit. The Accounts Branch also could not issue the bills for compensation due to non-receipt of completed advice notes/completion reports. He, further, stated that the work of calculation of R&G and compensation was in progress. Bills for Rs 50.17 lakh on provisional basis were issued and Rs 3.55 lakh was recovered. Recovery particulars of the balance amount were awaited as of November 2004.

Thus, lack of co-ordination between different wings of the Company led to the failure in fixing the final rentals within the prescribed time limit and non-recovery of compensation for premature surrender of dedicated cables. This

indicates that there is a need for greater coordination between different wings of the Secondary Switching Areas.

The matter was referred to the Ministry in July 2004; its reply was awaited as of November 2004.

2.14 Non-billing of rental

Bharat Sanchar Nigam Limited failed to fix the final rental within the prescribed time limit and even provisional rent was not collected for more than three years, resulting in non-billing of Rs 48.18 lakh.

Rules provide for quoting of final rental in all R&G cases before commissioning or within one year of commissioning of services

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), stipulate that the final rental in all rent and guarantee (R&G) cases should be quoted before commissioning of the services. If the same cannot be done due to unavoidable circumstances, the rental quoted would be provisional and the final rental should be quoted within one year of commissioning of the services.

Chennai Telephones provided a 6 Fibre Optical Fibre Cable (OFC) for the exclusive use of M/s Satyam Infoway Ltd. between their premises and K.K. Nagar Telephone Exchange on R&G basis. The advance annual rental of Rs 12.68 lakh was collected by issue of demand note in July 1999 covering the period of one year from the date of commissioning. The work was completed and cable was commissioned in August 1999.

BSNL failed to quote final rental and collect provisional rent of Rs 12.68 lakh per annum

Scrutiny of records (September 2003) of Deputy General Manager (long distance/non-voice services), Chennai Telephones, revealed that the final rental had not been quoted despite lapse of four years of its provision, in violation of the rules. Even the provisional rent of Rs 12.68 lakh per annum for the period August 2000 to March 2004 amounting to Rs 48.18 lakh inclusive of Service Tax was not collected.

On this being pointed out by Audit, the Chief General Manager Telecom, Chennai Telephones, replied that the final rental in this case could not be quoted within the time limit due to non-receipt of completion report.

The reply is not tenable as according to the rules, the completed advice notes should be forwarded by the Divisional Engineers to Telephone Revenue Accounting (TRA) branch within a week of effecting the connections. Also Accounts Officer (TRA) should ensure that all the advice notes are received and immediate action is taken on them. Moreover, in the absence of final rental, at least provisional rental should have been recovered.

Thus, lack of co-ordination between different wings of BSNL led to failure to fix final rental within the prescribed time limit and in non-billing of at least Rs 48.18 lakh. At the instance of Audit, a supplementary bill for Rs 48.18 lakh

was issued in October 2003 for which realisation particulars were awaited. Action to fix the final rental was also due.

The matter was referred to the Ministry in July 2004; its reply was awaited as of November 2004.

2.15 Non/short realisation of service tax

Failure of six Secondary Switching Areas under two telecom circles to levy service tax resulted in non/short realisation of service tax of Rs 40.40 lakh.

Ministry of Finance levied service tax on telecommunication services

Bharat Sanchar Nigam Limited (BSNL) issued orders to recover service tax at the rate of 5 *per cent* with effect from 16 July 2001 and 8 *per cent* with effect from 14 May 2003 on leased circuits, interconnect link charges and on set-up charges for interconnectivity ports provided to private operators, as per the instructions of the Ministry of Finance.

BSNL units in two circles failed to levy service tax of Rs 40.40 lakh

Test check of records of Principal General Manager Telecom (PGMT) Pune and General Manager Telecom District (GMTD) Ahmednagar under the Maharashtra Telecom Circle and GMsTDs Ananthapur, Nellore, Tirupati and Kurnool under the Andhra Pradesh Telecom Circle (September 2003 to March 2004) revealed that they failed to implement the orders regarding levying of the service tax at the rates prescribed from time to time. This resulted in non/short billing of Rs 40.40 lakh for the period July 2001 to March 2004 as shown in Appendix - 9.

On this being pointed out by Audit, the concerned Secondary Switching Areas (SSAs) issued bills for Rs 40.40 lakh and recovered Rs 19.68 lakh. Recovery particulars of the balance amount were awaited as of November 2004.

Comments regarding non-realisation of service tax had been included in the Audit Reports (ARs) of the Comptroller and Auditor General of India for the last five years (Paras 8, 5 and 7.3 of ARs 6 of 2000, 2001 and 2002, Para 14.4 and 2.8 of ARs 5 of 2003 and 2004). The Ministry in its Action Taken Note admitted (July 2004) that the Management failed to enforce instructions of the Ministry of Finance to levy service tax and the same would be recovered. This indicated that the BSNL Corporate office did not review and enforce the orders/instructions from time to time at field/SSA level in spite of the failure being pointed out in Audit Report repeatedly.

The matter was referred to the Ministry in August 2004; its reply was awaited as of November 2004.

2.16 Loss of revenue due to incorrect fixation of rental

Incorrect fixation of rental by the Principal General Manager Telephones (PGMT), Patna on flat rates instead of on rent & guarantee terms, in contravention of rules, resulted in loss of revenue of Rs 38.66 lakh upto April 2004. Since the PGMT did not execute the rent and guarantee agreement, the possibility of recovery was remote.

Rules state that rental should be charged on capital cost basis under R&G terms if provision of an E₁R₂ link involves new cable construction

An E₁R₂ link is a circuit provided for E-mail licensees and Internet Service Providers (ISP) for connecting Remote Access Servers to the nearest telephone exchanges. Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), provide that whenever E₁R₂ links are provided to an ISP for an exchange area in which their node is located, a flat rate of rental equivalent to 30 direct exchange lines (DELS) is to be realised. Rules further stipulate that if an E₁R₂ link is provided from an exchange other than the one in which the ISP's node is located, the applicable 2 Mbps lease line rental at a flat rate is to be charged in addition to the 30 DELS' rental. If, however, the provision involves new cable construction, the rental is to be charged only on capital cost basis under rent & guarantee (R&G) terms and not on the basis of flat rates. Rules also envisage that the R&G terms in such cases should be quoted and got accepted by the subscriber before provision of the facility.

BSNL charged rent at flat rates resulting in loss of revenue of Rs 38.66 lakh

Videsh Sanchar Nigam Limited (VSNL), an ISP, placed (December 2000) a firm demand for provision of eight E₁R₂ links from the Patna main exchange to its internet node at Indira Bhavan, Patna. BSNL provided the service in May 2001. Audit scrutiny of records (June 2003) revealed that PGMT, Patna charged rental of Rs 7.20 lakh per annum at a flat rate even though they had sanctioned (May 2001) new construction work estimating Rs 38.84 lakh. Since new construction work was involved, R&G terms should have been invoked. The amount of rental on R&G terms worked out to Rs 15.89 lakh per annum for eight links. This resulted in loss of revenue of Rs 38.66 lakh for the period from May 2001 to April 2004.

At the instance of Audit, BSNL issued the bill on R&G terms but VSNL disputed the claim on the ground that the agreement had not been executed under R&G terms.

The Management stated (June 2004) that this lapse had occurred due to oversight and lack of information in the Commercial Section, which issued bills on flat rates, without realising that new construction work was involved, which required billing on R&G terms. They admitted that the possibility of recovery was remote since no agreement on R&G terms had been entered into initially. The Management also stated that instructions had been issued for vetting in all cases of provision of circuits/non-directory items, by the Finance and Accounts wing and obtaining approval of heads of the Secondary Switching Areas in cases with heavy financial implications before issue of demand notes, to safeguard against such lapses in future. These instructions need to be followed scrupulously to avoid recurrence of such lapses.

The matter was referred to the Ministry in July 2004; its reply was awaited as of November 2004.

2.17 Short recovery of revenue

Incorrect computation of radial distance resulted in short-billing of rental amounting to Rs 33.72 lakh.

Rules as adopted by Bharat Sanchar Nigam Limited (BSNL), provide that advance annual rental has to be charged for leased circuits based on the chargeable distance (CD) which is 1.25 times of the radial distance (RD) between the two points connected and the actual route of the used circuit should be reckoned for computing the distance.

Failure to compute the correct radial distance resulted in short collection of rental of Rs 33.72 lakh

Audit scrutiny of the records of General Manager, Telecom District, Mehsana under the Gujarat Telecom Circle during November 2003 revealed that M/s Arvind Mills were provided a 2 Mega Bits Per Second (Mbps) point-to-point data circuit between Khatrej and Ahmedabad during January 1999. The RD of the main circuit was computed based on the distance between Khatrej and Ahmedabad (RD : 19.5 km i.e. CD : 25 km) instead of the distance between Mehsana and Ahmedabad (RD: 66.25 km i.e. CD : 83 kms) and local lead Mehsana to party premises (Khatrej) (RD: 55.35 km i.e. CD 70 km) and Ahmedabad to party premises (Naroda) (RD: 3.2 km i.e. CD: 4 km) respectively which was the route of the leased circuit as per the slot allocation. Due to this incorrect computation of RD, there was short collection of rental to the tune of Rs 33.72 lakh for the period January 1999 to March 2004.

On this being pointed out by Audit (November 2003), the Ministry stated (October 2004) that supplementary bills for Rs 36.13 lakh were issued in November 2003 and recovery of the outstanding amount was being pursued.

The short billing occurred due to incorrect computation of radial distance by the Commercial Branch on the basis of which the Telephone Revenue Accounts Branch issued the bills. This indicates that there is a need for the Commercial Branch to exercise greater control to ensure that the computation of RD is done correctly in future.

2.18 Recovery at the instance of Audit

Out of Rs 10.01 crore outstanding against the subscribers due to short/non-billing pointed out by Audit, BSNL recovered Rs 9.25 crore.

Test check of records pertaining to 41 Secondary Switching Areas under 12 Telecom circles during the period from January 2001 to May 2004, revealed that an amount of Rs 10.01 crore was short billed mainly due to non-receipt of advice notes in Telecom Revenue Accounts Branch, issue of bills at old/lower tariff, non-revision of rentals on increase in exchange capacity, non-implementation of revised tariff order, incorrect application of tariff and incorrect fixation of rent as brought out in Appendix - 10.

**At the instance of
Audit, BSNL
recovered Rs 9.25
crore outstanding
against subscribers**

On this being pointed out by Audit, Bharat Sanchar Nigam Limited issued bills for Rs 10.01 crore and recovered Rs 9.25 crore. Recovery particulars of balance amount of Rs 76 lakh were awaited as of November 2004.

This indicates that there is an urgent need to improve upon the existing system of internal control mechanism for monitoring revenue recovery.

The matter was referred to the Ministry in October 2004; its reply was awaited as of November 2004.