CHAPTER II
MAJOR FINDINGS IN TRANSACTION AUDIT - REVENUE

2.1 Non-realization of interconnection charges from M/s Data Access (India) Limited

Failure of the Company to enforce the provisions of interconnect agreement with M/s Data Access (India) Limited resulted in accumulation and non realisation of dues of Rs 219.62 crore.

The Company entered (July 2002) into an agreement with M/s Data Access (India) Limited, an International Long Distance Operator (ILDO), for providing interconnect facilities. Seventeen points of interconnection (POIs) were provided to the ILDO between May 2002 and October 2003. According to the agreement, the bills for interconnection charges for each POI were to be issued on monthly basis and were payable within 15 days from the dates of their issue. Bills were to be paid through cheques/demand drafts, drawn on local branches of any scheduled bank at the places where the designated authorities of the Company were located. In the event of delay in payment by the ILDO beyond 30 days, interest at the rate of 24 per cent, was to be charged.

Interconnect agreement provided for encashment of bank guarantee and levy of interest on delayed payments, besides disconnection

Further, if the payments were not received within the specified period, the Company had the right to discontinue the facility provided to the ILDO after giving 30 day's notice besides encashing the bank guarantees. The ILDO was required to furnish an initial bank guarantee of Rs 10 crore, valid for one year, to the Corporate office to cover the payment of the dues and thereafter bank guarantee was to be submitted separately for each POI. In July 2003, the Corporate office issued instructions that the ILDO should deposit with the Circle offices bank guarantees of rupees one crore or double the average billed amount at any of the POIs during the last three months, whichever was higher.

The Company failed to obtain due amounts of bank guarantee for the POIs

Audit scrutiny of the records of the Company's Corporate office and its field units from February 2004 to May 2005 revealed that the Company had failed to safeguard its financial interest, as it did not obtain appropriate bank guarantees from the ILDO as per the agreement. The ILDO deposited the initial bank guarantee of Rs 10 crore but subsequently deposited bank guarantees for only Rs 40.10 crore in respect of seven POIs, and did not deposit the bank guarantees due for the remaining 10 POIs.

The Company failed to disconnect the facilities in time. This resulted in non-realisation of dues of Rs 219.62 crore

Further, the Company accepted post dated cheques from the ILDO although there was no provision in the agreement for accepting the same. Fifty two post dated cheques for Rs 84.90 crore, accepted from the ILDO, bounced for want of funds. The Company also did not disconnect the facilities in time as per the agreement despite non-deposit of the required bank guarantees and delays in payment of dues.

Thus failure of the Company to obtain adequate bank guarantee and delayed disconnection of POIs between October 2003 and April 2005 resulted in accumulation and non-realisation of dues of Rs 219.62 crore as of December 2004. The possibility of recovery of the outstanding dues was remote since the ILDO was in the process of liquidation.

On this being pointed out by Audit, the Corporate office replied (July 2005) that some field units failed to adhere to the provisions of the interconnect agreement and that efforts were on to recover the outstanding dues through various legal measures.

The matter was referred to the Ministry in September 2005; its reply was awaited as of November 2005.

2.2 Non-collection of revenue from cellular mobile subscribers

Failure of the company to implement stipulated safeguards resulted in accumulation of outstanding dues of Rs 41.82 crore in seven telecom circles on post-paid mobile telephones.

The Company started its post-paid mobile telephone service 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 the General Managers, Cellular Mobile Telephone Service (CMTS) of the respective circles. The Zonal Billing Centres were responsible for processing bills, monitoring payments, generating various reports for monitoring revenue collection and processing withdrawals of outgoing/incoming calls in cases of non-payment of dues for all the circles under their billing jurisdiction.

Mention was made in the Report of the Comptroller and Auditor General of India, Union Government, for the years 2004 and 2005, about the failure of the Company to implement the stipulated safeguards to avoid pilferage and loss of revenue resulting in non collection of revenue from the subscribers of "Cell One". The Ministry, in their Action Taken Note, stated (November 2004) that the department had sustained loss due to negligence of the staff and fraudulent subscribers.

Company failed to realise revenue amounting to Rs 41.82 crore due from 73,362 mobile subscribers

Further scrutiny of 48 Secondary Switching Areas (SSAs) under seven telecom circles, involving four zonal billing centres at Chandigarh, Kolkata, Pune and Tiruchirapalli revealed that the Company failed to realise revenue amounting to Rs 41.82 crore due from 73,362 mobile subscribers as detailed in the Appendix-I for reasons such as inadequate/non-verification of identity documents in time by the SSAs and the dealers, delays in issue of bills and delayed billing of roaming charges, failure/delays in disconnection of phones even after non-payment of the bills, malfunctioning/non-operation of the threshold servers at the Zonal Billing Centres and failure of the Company to make recoveries from the dealers, in cases of defaults of the subscribers booked through them, though the agreements provided for the same.

On this being pointed out by Audit, the heads of SSAs of the Bihar and Uttar Pradesh (East) Telecom circles and heads of the Haryana, Maharashtra and Rajasthan Telecom circles stated that necessary efforts were being made for the recovery of outstanding dues. The head of the Gujarat Telecom Circle stated that out of the outstanding dues of Rs 40.44 lakh, an amount of Rs 10 lakh had been recovered from the dealers through encashment of Bank Guarantees.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.3 Non-realisation of interest on delayed payments

Twenty eight Secondary Switching Areas under 10 telecom circles failed to realise interest of Rs 18.34 crore on the delayed payments from private telecom service providers.

As per the interconnect agreements, interest was chargeable on delayed payments by private service providers

The Company entered into interconnect agreements with private telecom service providers for interconnection of its network with their network facilities. As per the agreements, private service providers had to pay access charges up to April 2003 and Interconnect Usage Charges (IUC) from May 2003. The bills were to be issued on a monthly basis and were to be paid within 15 days from the dates of their issue. In the event of delayed payments by operators, interest at the prescribed rates was to be charged on the due amounts.

Twenty eight SSAs under 10 telecom circles failed to realise interest of Rs 18.34 crore, on delayed payments

Test check of the records by Audit between December 2003 and March 2005 revealed that 28 SSAs under the Andhra Pradesh, Haryana, Kerala, Calcutta Telephones, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh (East), Uttar Pradesh (West) and Uttaranchal circles failed to realise interest on belated payments, amounting to Rs 18.34 crore for the period August 2002 to April 2005 as shown in Appendix-II. This resulted in non-realisation of Rs 18.34 crore.

On this being pointed out by Audit, 12 SSAs under the Andhra Pradesh, Haryana, Kerala, Punjab, Tamil Nadu and Uttar Pradesh (East) circles issued bills for interest, recovery particulars for which were awaited as of July 2005. Nine SSAs under the Haryana, Kerala, Maharashtra, Uttar Pradesh (East), Uttar Pradesh (West) and Uttaranchal circles stated that bills would be issued. The heads of Eluru SSA under the Andhra Pradesh Circle, the Coimbatore and Virudhunagar SSAs under the Tamil Nadu Circle referred the matter to their Circle offices for clarification. Replies from the Thiruvalla SSA under the Kerala Circle, the Tuticorin and Coonor SSAs under the Tamil Nadu Circle and Deharadun SSA under the Uttaranchal Circle had not been received till July 2005.

The matter was referred to the Ministry in October 2005; its reply was awaited as of November 2005.

2.4 Continuation of telephone facilities despite non-payment of dues

Failure to disconnect telephone connections of subscribers and STD/PCO operators by due dates, despite non-payment of bills in 11 SSAs under the Bihar, Jharkhand and Uttar Pradesh (East) Telecom circles resulted in accumulation of dues of Rs 10.39 crore.

Rules, as adopted by the Company, envisage that telephone bills are payable by subscribers within 15 days of the date of issue of bills. In cases of non-payment, 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 receipt of bills, failing which the connections are liable to be disconnected.

Test check disclosed accumulation of dues to the extent of Rs 10.39 crore due to continuation of facilities despite non-payment

Audit scrutiny of records of 11 SSAs under three (Bihar, Jharkhand and Uttar Pradesh (East)) telecom circles during June 2004 to March 2005 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 of Rs 10.39 crore for the period May 1991 to January 2005, as shown in the Appendix-III.

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 10.39 crore, the Bihar Telecom Circle recovered an amount of Rs 1.18 crore. In respect of the balance amount recovery was awaited as of June 2005.

Comments regarding continuance of telephone facilities despite non-payment of dues have been included in the Audit Reports of the Comptroller and Auditor General of India for the last seven years. The Ministry, in their latest Action Taken Note (ATN), on the subject, had stated (December 2003) that there was no deficiency in the existing system but there had been failures in following the same. 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 August 2005; its reply was awaited as of November 2005.

2.5 Blocking of funds and loss of interest

Delay by the Company in execution of an agreement with Videsh Sanchar Nigam Ltd for Space Segment Usage Charges resulted in blocking of funds of Rs 9.73 crore and loss of interest amounting to Rs 44.08 lakh thereon.

DoT associated with VSNL for providing VPT, which was based on INMARSAT technology

The Department of Telecommunications (DoT) under a pilot project programme started providing (December 1997) Village Public Telephones (VPT), using satellite based technology through INMARSAT[•] in association with Videsh Sanchar Nigam Ltd (VSNL). DoT finalized (March 1999) Space Segment Usage Charges (SSUC) at the rate of US $ 0.35 per minute, payable to VSNL.

The Company on its formation in October 2000 also reiterated (July 2001) that SSUC at the rate of US $ 0.35 per minute were payable to VSNL.

The Company failed to enter into an agreement with VSNL resulting in unilateral upward revision by VSNL

Audit scrutiny (March 2004) of the records of the Maharashtra Telecom Circle, the nodal unit nominated for settlement of consolidated claims, revealed that VSNL proposed (March 2003) a revision of SSUC from US $ 0.35 to US $ 0.75 per minute effective from September 2002 and asked the Company's Corporate office to enter into an agreement for continuation of the VPT service. In the absence of any response from the Company, the Corporate office of VSNL unilaterally started (September 2002) charging SSUC at the rate of US $ 0.75 per minute by adjusting the charges from the Net International Traffic Account payable to the Company.

Subsequent downward revision of rates with retrospective effect resulted in excess payment

Subsequently, VSNL on its own reduced (July 2003) the charges to US $ 0.70 per minute effective from September 2002 and adjusted the resultant excess paid amount of Rs 1.89 crore from September 2002 to July 2003 in the accounts for July 2003. Thereafter, VSNL continued to charge SSUC at the rate of US $ 0.70 per minute.

After audit pointed out (March 2004) the unilateral determination of rates by VSNL in the absence of any response from the Company, it entered into (May 2004) an agreement with VSNL wherein SSUC was fixed at the rate of US $ 0.55 per minute with effect from September 2002. VSNL refunded (June 2004) the excess paid amount of Rs 9.73 crore from September 2002 to March 2004.

Excess payment resulted in blocking of funds of Rs 9.73 crore and consequent loss of interest of Rs 44.08 lakh

Thus inordinate delay by the Company's Corporate office in entering into an agreement to finalize the rates of SSUC with VSNL resulted in blocking of funds of Rs 9.73 crore and consequent loss of interest amounting to Rs 44.08 lakh[°].

[•] International Maritime Satellite organisation

[°] Calculated at a conservative rate of five percent during 2003-05

The matter was referred to the Ministry in September 2005; its reply was awaited as of November 2005.

2.6 Non-realization of charges from M/s Reliance Infocomm Limited for ISD calls with tampered Calling Line Identification

Three Secondary Switching Areas under the Kerala Telecom Circle failed to compute the correct arrear charges due from M/s Reliance Infocomm for terminating international calls with tampered Calling Line Identification other than earmarked ports, resulting in short realisation of revenue to the tune of Rs 6.42 crore.

The interconnect agreement for National Long Distance Service (November 2002) between the Company and M/s Reliance Infocomm Limited (RIL) stipulates that RIL should hand over incoming international calls to BSNL at its tandem exchanges on designated ports. In case it is detected that calls have been handed over to any port other than the earmarked one, termination charges applicable to the highest slab for all the calls recorded on that port for the preceding two months or the date of provisioning of that point of interconnection (POI), whichever is later, would be charged.

As per the Company's instructions, calls with non-existent CLI should be treated as cases of tampering of CLI

As a follow up action to reports from field units that international calls had been handed over by RIL at ports meant for STD calls, the Company headquarters instructed (September 2004) the Chief General Manager Telecommunications (CGMT) Kerala Circle to treat calls with non existent Calling Line Identification (CLI) as cases of tampering of CLI and to bill RIL for Interconnection Usage Charge (IUC) at the rate of Rs 4.55 per minute. Accordingly CGMT, Kerala Circle issued (October 2004) billing instructions to all heads of Secondary Switching Areas (SSAs).

Three SSAs in Kerala Telecom Circle failed to claim arrear charges from RIL for tampering of CLI, resulting in short collection of revenue to the tune of Rs 6.42 crore

Audit scrutiny (November 2004 to March 2005) of the records of Kollam, Thiruvalla and Palakkad SSAs under the Kerala Circle revealed that though these SSAs received international calls handed over by RIL with tampered CLI in ports meant for inter/intra Circle calls, arrear bills were not issued, resulting in short realisation of revenue to the tune of Rs 6.42 crore for the period from February 2004 to January 2005 as detailed in the Appendix-IV.

On this being pointed by Audit, all the three SSAs issued arrear bills to RIL between January 2005 and July 2005. Recovery was awaited as of August 2005.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

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

The Company failed to raise bills of Rs 6.06 crore due to non-receipt of completed advice notes in Telephone Revenue Accounting branches.

The Engineering unit of a telephone district is required to send completed advice notes to the Telephone Revenue Accounting (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.

Test check disclosed non-billing of Rs 6.06 crore in eight telecom circles due to non-receipt of completed advice notes

Test-check of records pertaining to Andhra Pradesh, Bihar, Gujarat, Jharkhand, Karnataka, Maharashtra, Punjab, and Tamil Nadu Telecom circles between April 2003 and May 2005 revealed non-billing to the tune of Rs 6.06 crore towards rentals in respect of telecommunication facilities provided to various subscribers for the period from September 1997 to November 2005 due to non-receipt of completed advice notes in the TRA branch as shown in the Appendix-V.

On this being pointed out (April 2003 to May 2005) by Audit, the Management recovered Rs 3.86 crore. Recovery particulars of the balance amount of Rs 2.20 crore were awaited as of August 2005.

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. The Ministry while submitting the Action Taken Note on a similar para in June 2005 stated that the Company had reiterated (October 2003 and January 2005) the instructions for tightening internal controls to prevent errors and irregularities due to non-receipt of completed advice notes in TRA branches. Despite this, the deficiency persists.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.8 Short billing of rentals for leased circuits

Failure of nine Secondary Switching Areas to charge correct rentals for leased circuits within Short Distance Charging Areas, resulted in short billing of Rs 3.54 crore.

The Company's Corporate office clarified (April 2002) that the rentals of leased circuits provided from the existing capacity within Short Distance Charging Area (SDCA) should be charged according to the number of pairs of wires utilised to provide the circuits i.e. single rate for two wires and double the rate for four wires.

Rentals for leased circuits provided on four wire were billed at two wire charges, resulting in short billing of Rs 3.54 crore

Audit scrutiny of the records of nine Secondary Switching Areas (SSAs) under the Andhra Pradesh, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan and Tamil Nadu Telecom circles revealed that the rentals for leased circuits provided on four wires within the respective SDCAs had been billed at two wire charges. This resulted in short billing to the tune of Rs 3.54 crore for the period April 1999 to April 2006 as shown in the Appendix-VI.

On this being pointed out by Audit, the SSAs gave different reasons for not recovering the four wire charges as below:

- It would not be correct to charge the customers at four wire charges since conventional modems available in the market for two Mbps• circuits, were designed to work only on four wires.
- A large number of circuits using four wire modems were being charged at the two wire rate before receipt of the Company's orders of April 2002 and if payment at double the rate was enforced, it was likely that most of the customers would surrender the circuits and approach their competitors.
- GMTD, Madurai, under the Tamil Nadu Circle, issued revised bills in January 2005 and recovered the entire amount in February/June 2005.

The replies are not tenable since the Corporate office had issued clarificatory orders in April 2002, November 2002 and June 2004 that TEC approved modems for two Mbps circuits working on two wires were also available in the market. The Corporate office had also clarified that it was the choice of the customers to use either two wire or four wire modems and pay accordingly.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.9 Non-billing of interconnect licence fees

Failure of nine Secondary Switching Areas under the Andhra Pradesh Telecom Circle to collect interconnect licence fees from e-Seva, Andhra Pradesh resulted in non-billing of Rs 2.15 crore.

The Company's instructions provide for recovery of interconnect licence fees

The Company revised (April 2001) interconnect licence fees in respect of direct interconnection of one private network with another private network to Rs 4 lakh per annum per 64 Kbps• link, subject to a maximum of Rs 15 lakh per annum per 2 Mbps♦ link.

• Mega bits per second
• Kilo bits per second
♦ Mega bits per second

The Chief General Manager, Telecommunications, Andhra Pradesh Telecom Circle, accorded (July 2003) permission for installation, maintenance and operation of a single party network on leased lines to the Director, e-Seva, Government of Andhra Pradesh for linking up its various e-Seva centres. The General Managers, Telecom Districts (GMsTDs) of the concerned Secondary Switching Areas (SSAs) were to be the controlling and billing authorities for recovering the licence fees.

Nine SSAs failed to collect interconnect licence fees of Rs 2.15 crore

Audit scrutiny of records (March 2004 to May 2005) of nine SSAs viz, Cuddapah, Nalgonda, Eluru, Tirupathi, Ongole, Rajahmundry, Vijayawada, Guntur and Warangal under the Andhra Pradesh Telecom Circle revealed that they had failed to collect interconnect licence fees in respect of 32 data circuits provided to the Director, e-Seva. This resulted in non-billing of Rs 2.15 crore for the period August 2003 to March 2006, as per Appendix-VII.

On this being pointed out by Audit, the General Manager, Telecom District Ongole, stated (August 2005) that the bills were not issued as interconnectivity charges were not leviable in the case of the e-Seva network. The Chief Accounts Officer of the office of the GMTD, Eluru and the Accounts Officer (Value Added Services) of the office of the GMTD, Tirupathi stated (December 2004) that they issued (October 2004) demand notes for Rs 61.73 lakh, but also informed that the Government of Andhra Pradesh had taken up the case at the Circle level for waiver of the fees and that the matter was under correspondence between the Circle office and the Corporate office. These replies are not tenable as the Company had issued (September 2003) clear instructions that it had no policy to waive off interconnect licence fees for the e-Seva network. The remaining six SSAs replied (between December 2004 and June 2005) that bills for Rs 1.37 crore had been issued.

Thus the failure of the SSAs to raise the bills resulted in non-recovery of interconnect licence fees of Rs 2.15 crore for the periods ranging from August 2003 to March 2006.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.10 Non realisation of charges

Two Secondary Switching Areas under the Kerala Telecom Circle failed to bill M/s Reliance Infocom Limited at higher rates for terminating calls in wrong trunk groups, resulting in non realisation of revenue of Rs 1.29 crore.

The interconnect agreements between RIL and the Company stipulate higher charges for wrong routing of calls.

The interconnect agreements (January 2002 and November 2002) for provision of Basic Telephone Services and National Long Distance Services (NLDS) between the Company and M/s Reliance Infocom Limited (RIL), stipulate that a trunk group in an exchange, designated to carry a particular type of call, should not carry any other traffic. In the event of any wrong routing being detected by the Company i.e. calls being handed over to a group not meant for carrying such calls, all the calls recorded in those trunk groups are to be billed at a higher rate from the date of provisioning of that Point of Interconnection (POI) or for the preceding two months, whichever is less. The rate applicable for wrong routing is Rs1.14 per metered unit as per the Basic Telephone Services agreement. As per the agreement for NLDS, the rate is to be the termination charges applicable to the highest slab.

Two SSAs under the Kerala Circle failed to charge higher rates for wrongly routed calls resulting in non recovery of Rs 1.29 crore

Audit scrutiny (June 2004/October 2004) of the records of the Kollam and Trichur Secondary Switching Areas (SSAs) under the Kerala Telecom Circle revealed that wrong routings of calls by RIL detected at different POIs in these SSAs were not billed at the prescribed higher rates resulting in non-recovery of revenue of Rs 1.29 crore.

On this being pointed by Audit, General Manager Telcommunications (GMT), Kollam issued (July 2004) a demand note for Rs 4.88 crore to RIL and GMT, Trichur reviewed all the cases and issued (January 2005) bills for Rs 11.07 crore to RIL. Recovery particulars were awaited as of August 2005.

Thus failure of the GMsT, Kollam and Trichur SSA to take timely action to charge RIL for wrong routing of calls resulted in non realisation of revenue of Rs 1.29 crore.

The matter was referred to the Ministry in September 2005; its reply was awaited as of November 2005.

2.11 Loss of revenue due to delayed /non implementation of revised pulse rates

Delayed implementation/non-implementation of revised pulse rates of calls made from local public call offices by three Secondary Switching Areas under West Bengal Telecom Circle, resulted in loss of revenue of Rs 96.57 lakh.

Delayed implementation/non-implementation of the revised pulse rates of calls made from local public call offices resulted in loss of revenue of Rs 96.57 lakh

The Company revised (September 2004) pulse rate of all calls made from local public call offices from 180 seconds to 90 seconds and further revised it to 120 seconds (January 2005) and raised the rate per unit call from Re 1 to Rs 2.

Test check of the records of the Kolkata, Asansol and Bankura Secondary Switching Areas (SSAs) under the West Bengal Telecom Circle revealed that the Kolkata SSA did not implement any of these orders, the Asansol SSA implemented the revised pulse rate from February 2005 and Bankura SSA did not revise the pulse rate from September 2004, but implemented the subsequent revision, effective from January 2005.

On this being pointed out by Audit, General Manager, Telecom District (GMTD), Kolkata stated (May 2005) that the revision of the pulse rate to 90 seconds was not carried out fearing public pressure and the software version did not have the facility of providing the pulse rate of 120 seconds. GMTD, Bankura attributed (May 2005) the non-implementation of orders to not receiving the same. The reply from GMTD, Asansol had not been received till July 2005.

Thus delayed implementation/non-implementation of the Company's orders resulted in a loss of revenue of Rs 96.57 lakh for the period September 2004 to March 2005 as shown in the Appendix-VIII.

The above clearly indicates that there is an immediate need for timely implementation of rules, orders and instructions by the heads of SSAs to guard against such losses of revenue.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.12 Non-realisation of infrastructure sharing charges

Four Secondary Switching Areas under the Tamil Nadu Telecom Circle failed to realise infrastructure-sharing charges amounting to Rs 96.19 lakh for facilities provided to private operators.

Rules provide for recovery of infrastructure sharing charges in advance annually

The Corporate office of the Company issued (February 2001) instructions for fixing the infrastructure sharing charges for facilities provided to private operators. These charges were to be levied in advance every year. Prior to February 2001, these charges were being levied at ad hoc rates.

The Company failed to realise infrastructure sharing charges amounting to Rs 96.19 lakh

Test check of the records of General Managers, Telecom Districts (GMsTDs), Thanjavur, Nagercoil, Trichy and Cuddalore under the Tamil Nadu Telecom Circle between June 2004 and March 2005 revealed that they did not raise bills for infrastructure sharing charges for the periods ranging from December 2003 to May 2005. This resulted in non-realisation of Rs 96.19 lakh as detailed in the Appendix-IX.

On this being pointed out by Audit, GMTD, Thanjavur raised (June 2004) a bill for Rs 24.58 lakh against a private operator. CGMT, Tamil Nadu Circle however, meanwhile issued (August 2004) instructions to all their Secondary Switching Areas for recovery of the infrastructure sharing charges at ad hoc rates, lower than those fixed by BSNL in February 2001. This was an interim measure pending clarification from the Corporate office, since the private operators had disputed the method of calculating the charges and had taken up the matter with the Corporate office. The claim of Rs 24.58 lakh was accordingly revised to Rs 10.05 lakh and the same was realised (October 2004) from the concerned party.

Similarly, GMTD, Trichy issued (September 2004) bill at the rates intimated by the CGMT, Tamil Nadu Circle in August 2004 for Rs 10.80 lakh and realised the entire amount. Further GMTD Nagercoil in the case of one private operator raised bill at the ad hoc rate of Rs 15.76 lakh and on another private operator issued a bill for Rs 10.35 lakh based on the rates of Corporate office against which Rs 10.35 lakh were recovered. GMTD, Cuddalore also issued (March 2005) bills at the rates fixed by the Corporate office for Rs 16.78 lakh and the same had not been recovered as of July 2005.

Thus delay on the part of the GMsTDs to collect infrastructure-sharing charges at the rates prescribed by the Corporate office resulted in non claiming of Rs 96.19 lakh, out of which an amount of Rs 31.20 lakh was recovered at the instance of Audit. The balance amount of Rs 64.99 lakh is yet to be recovered.

The matter was referred to the Ministry in September 2005; its reply was awaited as of November 2005.

2.13 Loss of potential revenue due to inordinate delay in providing leased circuits

Failure of the Principal General Manager, Patna Telecom District and the General Manager, Dibrugarh Telecom District to provide leased circuits within the stipulated time resulted in loss of potential revenue of Rs 95.94 lakh.

Leased circuits should be provided within stipulated time frame

The Company issued (March 2001) instructions regarding provision of leased circuits within seven days of receipt of the final advice notes and delegated (September 2001) the powers of according approval for provision of single party point-to-point leased circuits of speed up to 2 Mbps within Secondary Switching

Areas (SSAs). The Company further delegated (February 2002) these powers to the heads of circles in cases where the circuits did not originate and terminate within the same SSAs. The Company also issued (September 2002) instructions regarding special constructions for local leads and local circuits, on Optical Fibre Cable (OFC), wherein a time limit of three months was stipulated for provision of such facilities.

Test check of the records of the Principal General Manager, Patna Telecom District (PGMTD) (January 2005) under the Bihar Telecom Circle and the General Manager Telecom District (GMTD), Dibrugarh (July 2005) under the Assam Telecom Circle revealed inordinate delays in providing leased circuits in the following three cases, which resulted in loss of potential revenue.

Case-I

Delay in provision of 2x2 Mbps circuits to M/s Sahara India Media Communication Ltd resulted in loss of potential revenue of Rs 52.01 lakh

M/s Sahara India Media Communication Ltd placed (June 2003) a firm demand for provision of 2x2 Mbps data circuits between Patna and Noida and paid (October 2003) advance annual rentals, installation and registration charges etc. amounting to Rs 47.05 lakh. PGMTD, Patna issued (November 2003) the final advice note without obtaining the approval of the competent authority i.e. the Chief General Manager Telecommunications (CGMT), Bihar Circle for providing the leased circuits. When the General Manager Telecom District (GMTD), Noida demanded (November 2003) the sanction of the head of the Circle for providing the local lead at Noida end, PGMTD, Patna referred (December 2003) the case to CGMT, Bihar Circle, but no approval came forth. Meanwhile, the subscriber cancelled (December 2004) the demand, due to delay in providing the circuits. Thus the failure of PGMTD, Patna to provide the circuits in time resulted in loss of potential revenue of Rs 52.01 lakh for the period November 2003 to December 2004.

On this being pointed out, PGMTD, Patna stated that the approval of the head of the Circle could not be obtained at the first instance due to non-availability of the relevant orders and that when GMTD, Noida sent the orders, the case was referred to CGMT, Bihar for according approval. However, CGMT, Bihar Circle stated (June 2005) that no such case till date had been received in their office.

Case-II

Delay in provision of leased circuits to Defence authorities resulted in loss of potential revenue of Rs 15.59 lakh

The Defence authorities placed (February 2003) a firm demand for provision of a 2 Mbps circuit between Danapur and Ranchi Military exchange and paid (May 2003) advance annual rentals and installation and registration charges amounting to Rs 14.31 lakh. PGMTD, Patna issued (May 2003) the final advice note. Subsequently, on raising (May 2004) the bills for annual rentals, the Defence authorities replied (June 2004) that the bill should be cancelled, as the circuit had not been commissioned at both the ends. They further requested that their demand for the circuit be kept pending. At that stage it was noticed that wrong feedback was received from the Sub Divisional Engineer (SDE) (Telex) Patna regarding commissioning of the circuit. Thus the failure of PGMTD, Patna to provide the circuit within the stipulated period resulted in loss of potential revenue of Rs 15.59 lakh for the period May 2003 to June 2004.

On this being pointed out, PGMTD, Patna stated (May 2005) that the local lead of the circuit at the Ranchi end could be made available only in August 2004 by which time the Defence authorities had requested (June 2004) to keep their demand for the circuit pending till further orders.

Case-III

Delay in provision of 2MBPS OFC connectivity to Defence authorities resulted in loss of potential revenue of Rs 28.34 lakh

The Defence authorities placed (October 2002) a firm demand for provision of a 2 Mbps capacity OFC connectivity between Air Force Station, Chabua and the Company's microwave stations at Dibrugarh. Accordingly, the SDE (Commercial), Office of the GMTD, Dibrugarh issued (December 2002) a demand note for Rs 14.19 lakh and was paid (March 2003) by the Defence authorities. The SDE (Commercial) issued (March 2003) the advice note but the desired OFC connectivity was not provided (June 2005), due to non-availability of OFC link. This resulted in loss of potential revenue of Rs 28.34 lakh for the period July 2003 to June 2005.

On this being pointed out, GMTD, Dibrugarh stated (July 2005) that the work had been physically completed but could not be commissioned as acceptance testing was pending.

Thus the failure of PGMTD, Patna under the Bihar Telecom Circle and GMTD, Dibrugarh under the Assam Telecom Circle in following the Company’s instructions to provide the leased circuits within the stipulated time, together with the lack of coordination between different wings, resulted in loss of potential revenue to the tune of Rs 95.94 lakh.

The matter was referred to the Ministry (July 2005); its reply was awaited as of November 2005.

2.14 Short realisation of rentals due to non-application of revised tariff

Failure of the General Manager, Telecom District, Jhansi to revise rentals of speech circuits leased to the Railways led to short realisation of Rs 93.21 lakh.

Rentals for speech circuits leased to the Railways are to be finalised every five years in consultation with the Railway Board. The fixation of rentals was however regularly delayed by the Department of Telecommunications (DoT)/Company. DoT fixed the final rentals applicable for the block 1986-87 to 1990-91 in August 1998 and the Company fixed rentals for the block 1991-92 to 1995-96 as late as in February 2002. Thereafter, the Company did not fix rentals for subsequent blocks and the rentals were to be billed on provisional basis at the tariff fixed for the preceding block.

GMTD, Jhansi failed to recover revised rentals resulting in short recovery of Rs 93.21 lakh

Test check of the records of the General Manager, Telecom District (GMTD), Jhansi under the Uttar Pradesh (East) Telecom Circle revealed that GMTD, Jhansi failed to issue bills at revised rates in respect of five speech circuits leased to the Railways for the period June 1990 to March 2005. Non-implementation of the revised tariff led to short billing of Rs 93.21 lakh as detailed in the Appendix-X.

On this being pointed out by Audit, GMTD, Jhansi issued (July 2004) bills for Rs 90.78 lakh. Recovery particulars were awaited (October 2005).

Comments regarding non-revision of rentals in respect of speech circuits provided to the Railways were included in the Audit Reports of the Comptroller and Auditor General of India pertaining to the preceding three years. The Ministry, in its Action Taken Note on Para 14.3(10) of Report No. 5 of 2003, stated (September 2003) that there was no deficiency in the existing system but there were unintended omissions. This indicates that there is a need to fix responsibility and take appropriate action in such cases. Further, the Company should revise the rentals immediately after the completion of each block period to prevent blockage of funds.

The matter was referred to the Ministry in May 2005; its reply was awaited as of November 2005.

2.15 Short billing of installation charges and rentals

Failure to recover installation charges and rentals at enhanced rates consequent to increase in exchange capacity resulted in short billing of Rs 83.27 lakh.

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

Rules of the Company provide for rates of rentals based on the total equipped capacity of an exchange/multi-exchange/Short Distance Charging Area (SDCA) for rural and urban areas. Whenever the equipped capacity of an exchange/exchange system is increased beyond a particular slab prescribed in the tariff, the rentals are also increased. Further the installation charges for providing a telephone connection is fixed at Rs 300 and Rs 800 for exchange capacity of up to 500 lines and beyond 500 lines respectively.

Test check of the records of the General Manager, Telecom District (GMTD), Itanagar under the North East-II Telecom Circle revealed that in respect of 19 exchanges, though the equipped capacities of the exchanges crossed 500 lines, the installation charges for new telephone connections were being billed at the rate of Rs 300 instead of the stipulated rate of Rs 800. This resulted in short billing of Rs 28.13 lakh for the period ranging from January 2001 to March 2003. Besides this, in respect of eight rural exchanges, though the capacity crossed 1000 lines, rentals continued to be billed at the rate of Rs 50 per month instead of the correct rate of Rs 110 per month. This resulted in short billing of Rs 20.17 lakh for periods ranging from October 2001 to April 2003.

Further, test check of the records of GMTD, Nagaon under the Assam Telecom Circle revealed that though the equipped capacity of the Nagaon, SDCA exceeded 30,000 lines with effect from 30 September 2003, bills in respect of five urban exchanges continued to be issued for rentals at the rate of Rs 120 per month instead of the correct rate of Rs 180 per month resulting in short billing of Rs 34.97 lakh for the periods ranging from October 2003 to April 2004.

The Company failed to realise installation charges and rentals at enhanced rates amounting to Rs 83.27 lakh

Thus failure to issue bills at enhanced rates consequent to the increase in exchange capacity in rural and urban areas resulted in short billing of Rs 83.27 lakh between January 2001 and April 2004 as shown in the Appendix-XI.

On this being pointed out by Audit, GMTD, Itanagar stated (May 2005) that action was being taken to realise the outstanding amount pointed out by Audit. The Chief General Manager, Telecommunications, Assam Circle while agreeing to the short billing (April 2005) issued bills at the correct rate (Rs 180 per month) for Rs 37.18 lakh from October 2003 to September 2004 and recovered Rs 32 lakh towards arrears pointed out by Audit. The recovery particulars in respect of the balance amount were awaited as of July 2005.

Comments regarding short billing of installation charges and rentals have been included in the Audit Reports of the Comptroller and Auditor General of India for the last six years, starting with the Report for the year 2000. In view of the Ministry's reply in their latest Action Taken Note (August 2004) that there was no deficiency in the existing system, there is a need to fix responsibility and take appropriate action to avoid recurrence of this persistent irregularity.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.16 Non-billing of rentals

General Manager, Telecom District, Bhuj failed to fix the final rentals in respect of optical fibre cable provided on rent and guarantee basis. Even provisional rent was not collected, resulting in non-billing of Rs 67.46 lakh.

General Manager, Telecom District (GMTD), Bhuj under the Gujarat Telecom Circle provided an optical fibre cable (OFC) for the exclusive use of Defence authorities between Khavda and Kuarbet on rent and guarantee (R&G) basis. The advance annual rental of Rs 33.73 lakh was collected (November 2000) by issue of a demand note (August 2000), covering the period of one year from the date of commissioning. The work was completed and the cable was commissioned in December 2001.

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

Rules stipulate that the final rentals in respect of telephone installations provided on R&G basis should be quoted before commissioning of the services. If the same cannot be done due to unavoidable circumstances, the rentals quoted will be provisional and the final rentals should be quoted within one year of commissioning of the services.

Audit scrutiny (May 2004) of the records of GMTD, Bhuj revealed that the final rentals had not been quoted despite a lapse of two years. Even the provisional rent of Rs 33.73 lakh per annum for the period December 2002 to December 2004 amounting to Rs 67.46 lakh had not been collected till May 2004.

Company failed to quote final rental and collect provisional rent of Rs 67.46 lakh

Audit further observed that in violation of the rules, the OFC was provided without issuing the Advice Note. The covering Advice Note was issued only in January 2004, two years after the provision of the facility. In the absence of Advice Note, proper billing and realisation of revenues could not be ensured.

On this being pointed out by Audit, GMTD, Bhuj issued (May 2004) bills for Rs 54.95 lakh for the period December 2001 to March 2005. Recovery particulars were awaited as of July 2005.

The matter was referred to the Ministry in September 2005; its reply was awaited as of November 2005.

2.17 Short billing of port charges in respect of private operators

Failure of eight Secondary Switching Areas under the Tamil Nadu Telecom Circle to issue bills for port charges resulted in short billing of Rs 53.24 lakh.

Port charges are entry charges for allowing private operators access to the Company's network. In order to obtain access and interconnectivity, the private operators have to enter into interconnect agreements, which among other things provide for collection of annual charges for the ports as prescribed from time to time.

The Chief General Manager Telecommunications (CGMT), Tamil Nadu Circle issued (December 2003) instructions to all Secondary Switching Areas (SSAs) in its jurisdiction that with effect from January 2003, the date of provision of a port would be the actual date of its commissioning or the date on which one month is completed from the date of sanction, whichever is earlier.

Contrary to instructions, the bills for port charges were issued from the date of commissioning instead of from the date of sanction resulting in short billing of Rs 31.24 lakh

Test check of the records of Salem, Madurai, Erode and Tirunelveli SSAs under the Tamil Nadu Telecom Circle revealed that contrary to the instructions of the CGMT, the SSAs continued to bill port charges from the dates of commissioning of the ports, though the period of one month from the dates of sanction were earlier. This resulted in short billing of port charges to the tune of Rs 31.24 lakh for the period January 2003 to November 2004. On this being pointed out by Audit, Erode and Salem SSAs issued (March 2005) supplementary bills, and Madurai and Tirunelveli SSAs assured that supplementary bills would be issued on verification of dates of sanction.

Port charges were not billed which resulted in non-billing of Rs 22 lakh

Further, test check of the records of Nagercoil, Cuddalore, Thanjavur and Coimbatore SSAs under the Tamil Nadu Telecom Circle, revealed that the rentals for the ports allotted to private operators were not billed for the period July 2003 to May 2005. This resulted in non-billing of Rs 22 lakh. On this being pointed out by Audit, the SSAs issued (June 2004 to April 2005) bills and recovered Rs 14.42 lakh. Recovery particulars of the balance amount were awaited (June 2005).

Thus failure to follow instructions resulted in short billing of Rs 53.24 lakh, as detailed in the Appendix-XII, in eight SSAs of the Tamil Nadu Telecom Circle indicating lack of a proper mechanism to monitor the implementation of instructions in respect of collection of revenue.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.18 Non-realisation of port charges

Failure of two Secondary Switching Areas to realise port charges from M/s Bharti Cellular Limited after their migration to the Unified Access Service Licence regime, resulted in non-realisation of Rs 40.10 lakh.

The Company's Corporate office intimated the Chief General Manager, Tamil Nadu Telecom Circle, that M/s Bharti Infotel Limited had surrendered (3 October 2004) their Basic Services Licence for the Tamil Nadu service area, pursuant to their migration to the Unified Access Service Licence (UASL) regime. The intimation stipulated that the Points of Interconnection (POI) of M/s Bharti Infotel Limited would stand transferred to their group Company (M/s Bharti Cellular Limited) having UASL in that service area, with effect from 4 October 2004. However, the port charges for all the ports in these POIs were to be charged afresh in the name of the group Company in that service area.

Failure of two SSAs to issue the bills for port charge resulted in non realisation of Rs 40.10 lakh

Test check of the records of two Secondary Switching Areas of Madurai and Coimbatore under the Tamil Nadu Telecom Circle revealed that claims for port charges with effect from 4 October 2004 were not raised against M/s Bharti Cellular Limited in respect of 41 ports at Coimbatore and 36 at Madurai resulting in non realisation of Rs 40.10 lakh for the period October 2004 to October 2005, as detailed in the Appendix-XIII.

On this being pointed out, the General Manager, Telecom District (GMTD), Madurai realised (February 2005) Rs 19.80 lakh. The Principal General Manager Telecom District, Coimbatore, issued bills (March 2005) for 41 ports amounting to Rs 20.30 lakh and recovery was made (March 2005).

The above indicates that the Company lacks a proper mechanism to monitor the implementation of instructions in respect of billing and collection of revenue and has weak internal control relating to billing and collection of revenue.

The matter was referred to the Ministry in August 2005; its reply was awaited as of November 2005.

2.19 Recovery at the instance of Audit

Out of Rs 8.30 crore outstanding against the subscribers due to short/non-billing pointed out by Audit, the company recovered Rs 7.98 crore.

Besides the cases discussed in this chapter, test check of the records pertaining to 24 Secondary Switching Areas under nine telecom circles revealed that Rs 8.30 crore was non/short billed mainly due to issue of bills at old/lower tariffs, non-implementation of revised tariff orders, incorrect application of tariffs, irregular grants of concession in rent and incorrect fixations of rentals, as detailed in the Appendix-XIV .

At the instance of Audit, the Company issued bills and recovered Rs 7.98 crore from its subscribers

On this being pointed out by Audit, the Company issued bills for Rs 8.30 crore and recovered Rs 7.98 crore. Recovery particulars of the balance amount of Rs 32 lakh were awaited as of August 2005.

The matter was referred to the Ministry in October 2005; its reply was awaited as of November 2005.