

**MINISTRY OF COMMUNICATIONS AND INFORMATION
TECHNOLOGY**

CHAPTER III

Bharat Sanchar Nigam Limited

Revenue earnings from Leased Line Services

Highlights

- Delays in provision of leased circuits resulted in potential loss of revenue of Rs.28.12 crore.

(Para 3.7.1)
- Lack of proper database in respect of leased circuits resulted in incomplete and delayed billing and consequent leakage of revenue.

(Para 3.7.2)
- Non-receipt and/or delay in receipt of commissioning reports, non-availability of billing data and non-receipt of complete data from field units resulted in non-billing for Rs.14.46 crore and delayed billing of Rs.70.73 crore.

(Para 3.7.3)
- Non-receipt of commissioning reports in respect of single window customers resulted in non-billing of circuits of the order of Rs.55.10 crore.

(Para 3.7.4)
- Incorrect application of tariff resulted in short billing of Rs.14.89 crore, mainly on account of non-application of revised tariff and rate of service tax; non-application of tariff as per resources utilised; incorrect grant of discount and non-recovery of compensation.

(Para 3.7.5.1 to 3.7.5.6)
- Although there was no scope for accumulation of outstanding dues in respect of leased circuits as all the dues and rentals were to be collected in advance, Rs.292.65 crore was outstanding as of October 2007.

(Para 3.7.6)
- The 'TVARIT' software package developed for leased line services proved to be ineffective as only 52 per cent of the circuits could be processed by the software.

(Para 3.7.7)

Summary of recommendations

1. ***In order to minimise delays in provision of leased circuits, Bharat Sanchar Nigam Limited (Company) should ensure maintenance of proper database for technically feasible areas.***
2. ***The Company should ensure greater coordination between the nodal circle and the other circles to avoid delays in billing and collection of revenue in respect of single window customers.***
3. ***The Company should strengthen internal controls through greater supervision and monitoring to ensure that billing and payments are as per the latest instructions. Responsibility should be fixed and administrative action should be initiated in cases of non-adherence to the instructions.***
4. ***In order to minimise outstanding dues, the Company should ensure prompt disconnection of leased line services for non-payment of bills and regular follow-up of recovery of dues.***
5. ***The Company should effectively computerise all activities related to leased line services to ensure prompt provisioning of circuits, billing and collection of revenue.***

3.1 Introduction

Bharat Sanchar Nigam Limited (Company) provides leased line services to subscribers for a specific period as dedicated telecommunication links for internal communication between offices at various sites within a city or different cities on point-to-point basis or on a network basis. The leased lines are active through connective courses or channels, called 'circuits' during the period of the lease. These circuits are available on fibre optic medium, radio medium, copper wire and satellite medium or a combination of these media.

There are different types of circuits according to the use, viz., speech circuits (carry only speech signals), data circuits (carry data signals at various speeds), Closed User Group (circuits used by more than one legal entity forming a group), telegraph and teleprinter circuits and international circuits. Except international circuits, all other types of circuits mentioned above, are leased by the Company to the subscribers for local or long distance connections on payment of a specified tariff as fixed by the Company from time to time.

In order to improve leased line services including their provisioning and maintenance, the corporate office of the Company introduced (March 2001) the 'single window' scheme. Under this scheme, the subscribers, which had opted for taking leased circuits in bulk, the Business Development Cell at Corporate office as well as the concerned Circle were to sign the Memorandum of Understanding (MOU) and all the leased circuits in respect of that particular bulk subscriber were billed, collected and maintained by one authority nominated for this purpose (called nodal circle/authority). As of December 2006, there were 53 subscribers, mainly nationalised banks and insurance companies, who opted for single window billing.

The Company computerised (January 2002) the leased line operations through 'TVARIT' software package, which is designed for online processing right from registration till commissioning and updating of data for maintenance and operation of leased circuits.

3.2 Revenue generation

The revenue projected and earned from the leased line services of the Company for the last six years ending March 2007 are given below:

Table-3.1: Revenue projected and earned over the years

Year	Revenue projected (Rs in crore)	Revenue earned (Rs in crore)	Shortfall (-) or excess (+)
2001-02	Not Available	348.89	-----
2002-03	350.00	466.57	116.57
2003-04	606.00	500.80	(-) 105.20
2004-05	525.00	420.98	(-) 104.02
2005-06	350.00	529.94	179.94
2006-07	350.00	521.72	171.72

The 73 per cent increase in revenue projected from 2002-03 to 2003-04 was on account of anticipated increase in revenue under the single window scheme. In order to meet the competition from other telecom players, leased line tariff was drastically reduced from May 2005 and the projected revenue for 2005-06 and 2006-07 was also accordingly reduced.

Revenue earnings since 2002-03 started improving with the introduction of single window scheme.

3.3 Audit objectives

The main objectives of audit were to assess that:

- there was a proper system in place for timely and effective provision of leased lines; and
- the system for billing and collection of revenue of leased lines was well established and functioning to ensure revenue was efficiently billed and collected and there were no leakages.

3.4 Audit criteria

The main audit criteria used were:

- codal provisions and orders issued from time to time by the Company and Telecom Regulatory Authority of India (TRAI) relating to the leased lines;
- the system prescribed for billing and collection of revenue; and
- database relating to leased lines.

3.5 Scope of audit

The performance audit covered the period from 2001-02 to 2006-07 and examined the relevant records pertaining to 17 circles¹ (including one telecom maintenance region, *i.e.*, Northern Telecom Region and two telecom districts *i.e.*, Chennai and Kolkata) and about 30 per cent of total Secondary Switching Areas (SSAs) in each of these selected circles.

¹ Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh (East) and West Bengal.

Further, of the 53 subscribers under the single window scheme, audit reviewed records pertaining to 32 subscribers.

3.6 Acknowledgement

The Performance Audit was conducted in the Corporate office, all concerned circles and selected SSAs falling under various circles. In the course of audit a number of issues were deliberated with the Management besides examination of records and documents. Entry and exit conferences were also held at circle level and with Corporate Management. Audit acknowledges the cooperation and assistance extended by all levels of the auditee organisation at various stages for completion of the Performance Audit.

3.7 Audit findings

Each Head of the Circle was authorised to sanction leased lines to subscribers according to their demands and feasibility for providing such connections. On receipt of request from a subscriber, the Commercial branch first issued provisional demand note to the subscriber for payment of provisional fee for connection. On receipt of payment, the Engineering branch was to issue a provisional advice note with a copy to the maintenance region/field unit(s) for checking feasibility of providing such connection. On the basis of the feasibility report, the Commercial branch was to issue a final demand note to the subscriber specifying the actual rentals for leasing the connection. The connection was to be provided within seven days of the issue of the final advice note. Thereafter, the Telephone Revenue Accounting (TRA) unit was to initiate issuance of advance annual bills as per prescribed intervals in terms of codal provisions and tariff rates issued by the Corporate office which were in accordance with the tariff notifications issued by TRAI.

As such the Company was to ensure that provision of leased circuits was done timely; adequate database at various levels was maintained for effective monitoring; bills were issued in time and rates of rentals were applied correctly; and the collection of revenue for leased line services was properly monitored to minimise outstanding amounts, if any.

During scrutiny of records of selected circles together with their selected SSAs, Audit observed several deficiencies from provisioning of circuits to collection of revenue. These are discussed in the succeeding paragraphs.

3.7.1 Delay in provision of leased circuits

As per codal provisions, the leased circuits were to be provided within seven days from the date of issue of final advice note for provisioning of the service.

Test check of records of 58 SSAs in 13 telecom circles and two telephone districts² disclosed delays up to more than five years in providing/commissioning of circuits. These delays were primarily for reasons that agreements for the service were being signed at corporate level with commercially important customers without proper communication with the circles concerned and Advice Notes were being issued without obtaining feasibility reports from field. There was also non-availability of requisite infrastructure like Integrated Services Digital Network facility, channel allocation, modems/routers, etc., at subscriber's end. Delay in providing circuits within the stipulated period resulted in potential loss of rental revenue of Rs.28.12 crore, as detailed in *Annexure IV*.

² *Andhra Pradesh, Assam, Bihar, Gujarat, Madhya Pradesh, Karnataka, Kerala, Maharashtra, Northern Telecom Region, Orissa, Uttar Pradesh (East), West Bengal and Rajasthan telecom circles and Chennai and Kolkata telephone districts.*

On this being pointed out by Audit, most of the SSAs accepted the facts, stating that action would be taken to provide circuits in time.

3.7.2 Non-maintenance of proper database

One of the major reasons for delay in providing leased circuits and consequent potential loss of revenue was found to be lack of proper data on the services and subscribers.

The Corporate office had issued (March 2001) instructions to all the heads of circles to designate one General Manager (GM) level officer as nodal officer for dealing with all matters related to the provisioning and maintenance of leased circuits. The nodal officers were to form a separate data group in each SSA for handling the provisioning and maintenance of leased circuits and to keep an updated database of the technically feasible areas in SSAs as well as in their respective circle offices.

Audit scrutiny of the records in Andhra Pradesh, Bihar, Karnataka, Orissa, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, and Uttar Pradesh (East) circles as well as in Chennai telephone district showed that the above instructions were not followed. Some significant weaknesses were as follows:

(i) In these circles and telephone districts, although the sanctions for provision of leased circuits had been issued, the basic data relating to the sanctions, their dates of provision, particulars of local leads provided, types of circuits and the media provided to the subscribers were not maintained in the circles. Audit also noticed that no database regarding the technically feasible areas was maintained in the SSAs.

(ii) In these circles, the database containing particulars of requisitions received for provision of circuits, demand notes issued and collected, and circuits commissioned were also not maintained for the subscribers opting for single window scheme.

(iii) No database was maintained in the circle offices, relating to individual category of customers such as the Railways, Defence, Central/State Government organisations and others in respect of the circuits leased to these organisations.

(iv) Under the single window scheme while the data on number of subscribers was available at the Corporate office and in the circles, there was no information on the number of leased circuits provided to the subscribers or the date from which the circuits were commissioned.

Audit also observed that lack of proper database resulted in incomplete and delayed billing and consequent suppression and leakage of revenue in the cases discussed in the succeeding paragraphs.

3.7.3 Non/delay in issue of annual bills

The Corporate office instructed (November 2002) that the rentals for the first year were to be recovered in advance for 12 months from the date of installation/provision of the leased circuit and for the second year, rentals were to be charged only for the period from first anniversary date of installation up to the conventional billing month. For the third year, annual rentals were to be recovered as per the conventional billing cycles³. These instructions were not adhered to which led to loss of revenue in the following situations.

³ *Each exchange under a SSA has a particular billing cycle, called 'conventional billing cycle', in its billing system for issuing rental bills. The period of the second year's annual advance rentals of a particular leased circuit subscriber under that exchange is to be adjusted with or fitted into that conventional billing cycle for issuing of bills.*

- Test check of records (between November 2006 and March 2007) relating to various leased line connections provided by 36 SSAs in 12 circles and two telephone districts⁴ disclosed that non-receipt as well as delay in receipt of commissioning reports and non-receipt of complete data from field units resulted in non-billing of Rs.14.46 crore, as detailed in *Annexure V*

On this being pointed out by Audit, Rs.26.53 lakh was recovered by eight SSAs. Further, 15 SSAs stated that bills had been issued and recovery was awaited, while eight SSAs stated that bills would be issued shortly. Reply was awaited in respect of the remaining five SSAs.

- Further, scrutiny of records (between August 2006 and March 2007) in eight SSAs under Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Northern Telecom Region, Rajasthan, Tamil Nadu circles as well as in Chennai telephone district showed that the rental bills were issued belatedly ranging from less than one month to 84 months by the Telephone Revenue Accounting branches of these SSAs due to non-availability of billing data, non-receipt of commissioning reports and non-availability of billing programme. This resulted in delayed billing and realisation of Rs.70.73 crore in these SSAs, reflecting poor financial control as detailed in *Annexure-VI*.

On this being pointed out by Audit, the SSAs accepted the facts and stated that steps were being taken to issue the bills in time.

3.7.4 Non billing in respect of Single Window Scheme

In respect of the single window scheme, the Corporate office instructed (March 2001) all the heads of circles to issue demand notes either from their office or from the SSA in which headquarter of the subscriber was located. Thereafter, they were to follow the general procedure for provision and billing of circuits, which would imply issue of advance rentals after receipt of complete report on commissioning.

Test check of records (between November 2006 and March 2007) of the single window subscriber of leased line services pertaining to nine circles⁵ and Chennai telephone district disclosed that due to non-receipt of commissioning reports these SSAs failed to issue annual bills involving 31 single window customers. This resulted in non-billing of circuits to the tune of Rs.55.10 crore for the period March 2003 to March 2008, as detailed in *Annexure VII*.

On this being pointed out by Audit, Andhra Pradesh, Northern Telecom Region and Tamil Nadu circle offices stated that bills had been issued, while Gujarat, Madhya Pradesh, Uttar Pradesh (East) and Maharashtra circle offices stated that bills were being processed for issue after verification of data. Reply was awaited in respect of the remaining circle offices (November 2007).

⁴ *Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Northern Telecom Region, Orissa, Rajasthan, Uttar Pradesh (East) and West Bengal telecom circles as well as Chennai and Kolkata telephone districts.*

⁵ *Andhra Pradesh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Northern Telecom Region, Tamil Nadu and Uttar Pradesh (East).*

3.7.5 Incorrect application of tariff

Inadequate internal controls and failure to adhere to the instructions of the Corporate office resulted in incorrect application of tariff for leased circuits leading to short billing and consequent leakage of revenue in the cases discussed in the succeeding paragraphs.

3.7.5.1 Short billing due to non-revision of tariff

The Company issued several tariff orders and instructions from time to time and the circles were to ensure that these were promptly sent to the GMs, Telephone Revenue (TR) or Internal Financial Advisors (IFAs), who in turn, were to ensure their implementation by maintaining a tariff-order register, besides insisting on submission of implementation certificates from the SSAs.

Test check of records (between November 2006 and March 2007) of the rental bills of leased line services pertaining to 22 SSAs in eight circles and two telephone districts⁶ disclosed that these SSAs failed to timely and appropriately revise the rentals as and when required in terms of the Company's tariff circulars issued from time to time, resulting in short billing of Rs.2.78 crore as detailed in *Annexure VIII*.

On this being pointed out by Audit, 16 SSAs stated that supplementary bills would be issued, while replies were awaited from the remaining SSAs (November 2007).

3.7.5.2 Short billing due to non-application of tariff as per resources utilised

The codal provisions stated that the leased circuit provided within a Short Distance Charging Area (SDCA)⁷ was to be considered as local leased circuit and chargeable distance was to be reckoned from the customer's premises. The Corporate office clarified (April 2002) that the rentals of local leased circuit provided from the existing capacity were to be charged according to the number of pairs of wires utilised for the circuit *i.e.*, single rate for two wires and double the rate for four wires. The tariff for leased circuits was revised from 1 May 2005.

Audit scrutiny (between September 2006 and March 2007) of records in five SSAs under Andhra Pradesh, Assam and Maharashtra circles disclosed that the rentals for local leased circuits provided on four wires within the SDCA of these SSAs were billed at two wire charges for the period January 2001 to April 2005 instead of four wire charges. This resulted in short billing of Rs.3.75 crore for the above period.

On this being pointed out, four SSAs stated (September/December 2006) that supplementary bills to the tune of Rs.22.83 lakh had been issued. Further, Hyderabad SSA stated (December 2006) that the clarificatory orders issued by the Corporate office were contradictory and it was decided (August 2005) to charge at single rate irrespective of two wire/four wire with effect from 1 May 2005.

The above reply is not tenable because the aforementioned order of August 2005 was not applicable in these cases as Audit observation related to the period January 2001 to April 2005. Further, these cases were also related to the leased circuits within SDCA, *i.e.*, local

⁶ *Andhra Pradesh, Assam, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu as well as Chennai and Kolkata telephone districts.*

⁷ *It is the smallest territorial unit for charging purpose, normally coincides with Tehsils or Talukas. Calls within the same SDCA are charged as local calls.*

circuits, and in such cases, the Corporate office had issued clear instruction (April 2002) for issue of bills as per resources utilised which the SSAs did not follow.

3.7.5.3 Short billing of service tax due to incorrect application of rates

The Company issued (September 2002) instructions to recover service tax at the rate of 10 *per cent* with effect from 10 September 2004 and 12 *per cent* with effect from 18 April 2006 on leased circuits, interconnect link charges and set-up charges for interconnectivity ports provided to private operators, as per the instructions of the Ministry of Finance. In addition, education cess at the rate of 2 *per cent* of the service tax was also leviable.

Test check of records (between December 2006 and March 2007) in two SSAs under Tamil Nadu circle as well as in Chennai telephone district disclosed that the service tax was continued to be levied at 10.20 *per cent* instead of 12.24 *per cent* with effect from 18 April 2006 resulting in short billing of service tax of Rs.43.52 lakh for the period April 2006 to March 2007.

On this being pointed out, the SSAs of Tamil Nadu circle accepted audit observations and stated (January 2007) that supplementary bills on this account would be raised. Chennai Telephone District however, stated (January 2007) that bills were issued.

3.7.5.4 Incorrect grant of discount

The Company issued (between January 2002 and April 2004) several orders allowing different rates of discount on high user routes under long distance circuits segments. Discounts were also declared under different schemes like Big Bit Benefit and Club Benefit. However, no discount was to be allowed on local circuits and local leads of main circuits as well as to other service providers like National Long Distance Operator, Basic Service Operator, Internet Service Providers, *etc.*

Audit scrutiny of records (between October 2006 and February 2007) in Karnataka, Kerala, Tamil Nadu circles and in Chennai and Kolkata telephone districts showed that discounts were extended to service providers *viz.*, Bharti Mobile, Bharti Telesonic, Hutchison, Videsh Sanchar Nigam Limited, on local circuits/local leads of main circuits due to non-availability of list of operators and also due to wrong classification of these operators as private parties, resulting in loss of revenue of Rs.2.84 crore, as detailed in ***Annexure IX***.

On this being pointed out by Audit, the SSAs accepted the facts, but stated that the circles have allowed discount to these local circuits, considering them as links between global service providers and customers aiding/facilitating in provision of services by the international cloud.

The above reply is not tenable as existing instructions clearly specified the application zone for only long distance circuits and the circle office was not vested with the power to extend discounts on local circuits.

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

The Company also provided leased lines on rent and guarantee basis wherein a subscriber had to pay for a minimum period of hire (guarantee period). The rate of rental for such facility was recoverable annually for the whole guarantee period. When the cables and systems provided on rent and guarantee were surrendered before the expiry of the initial

period of guarantee, the compensation was recoverable for the unexpired period at a prescribed percentage of the capital cost for each of the remaining years, including the year in which it was surrendered.

Audit reviewed (June 2006 and February 2007) the records pertaining to Karnataka circle as well as Chennai and Kolkata telephone districts and found that circuits were provided (between October 2000 and June 2002) to 10 private firms on rent and guarantee basis for a period of 10 years. However, the same were surrendered (between December 2001 and March 2007) before the expiry of the guarantee period. The unexpired period of guarantee ranged from four years to nine years, but the SSAs failed to recover compensation of Rs.1.73 crore for the unexpired period of guarantee. This was mainly on account of omissions, wrong application of rates of compensation and non-receipt of closure advice notes by TRA units.

On this being pointed out by Audit, the circles and telephone districts accepted the facts and stated that action was being initiated for recovery.

3.7.5.6 Short billing of circuits leased to the Railways

As per codal provisions, rentals for lines and speech circuits leased to the Railways were to be finalised every five years by the Company in consultation with the Railway Board. The rentals applicable for the block of 1991-92 to 1995-96 and for the block of 1996-97 to 2000-01 were finalised in February 2002 and August 2006, respectively. The rental for the subsequent block was yet to be finalised pending which the rentals were to be billed on provisional basis at the tariff fixed for the preceding block.

Audit scrutiny of records (between November 2006 and March 2007) for lines, wires and speech circuits leased to the Railways relating to Gujarat and Madhya Pradesh circles as well as Kolkata Telephone District, disclosed that bills for the revised rental were not issued resulting in short claim of rental of Rs.3.40 crore.

On this being pointed out, all the above circles and Kolkata Telephone District stated (between November 2006 and April 2007) that they would issue supplementary bills.

3.7.6 Inadequate monitoring of outstanding dues

All the dues and rentals in respect of leased circuits were to be collected in advance as per the codal provisions. Hence, there was little scope for accumulation of outstanding dues. The Corporate office also issued (December 2002 and June 2003) instructions regarding steps to be taken by the circle offices and SSAs to minimise outstanding telephone revenue dues.

However, as of October 2007, an amount of Rs.292.65 crore was outstanding against various categories of subscribers of leased line services. The category-wise break-up of total outstanding dues were as below:

Table-3.2: Category-wise position of outstanding dues in leased line services
(Rs in crore)

Year	Defence	Central Govt.	State Govt.	Private parties
Up to 2001-02	8.08	14.79	6.90	46.44
2002-03	1.91	5.63	0.91	16.15
2003-04	1.48	10.03	1.49	19.07
2004-05	1.29	4.78	0.97	27.33
2005-06	1.86	2.45	1.54	41.73
2006-07	3.06	4.27	0.95	69.54
	17.68	41.95	12.76	220.26
Total outstanding	292.65			

Out of the total outstanding amount of Rs.292.65 crore, 75.26 per cent was outstanding against private subscribers, 20.38 per cent against Central Government departments including Defence, and 4.36 per cent was outstanding against various State Government departments. The amount of outstanding bills against private subscribers was increasing every year since 2002-03 and in the year 2006-07 alone, the outstanding dues against this category increased by Rs.27.81 crore as compared to the previous year.

Audit observed that the outstanding were primarily due to delays in disconnection of circuits for non-payment of bills, non-regularisation of accounts in respect of closed connections, non-reconciliation of dues and payments, inadequate monitoring of collection of revenue and inadequate follow-up regarding recovery of outstanding dues.

3.7.6.1 Accumulation of outstanding revenue due to non-disconnection/delay in disconnection for non-payment

As per the existing instructions, payment of rentals for leased line connections were to be made in advance within 21 days from the date of issue of bills. Failure to pay the bills in time rendered the connection liable to be disconnected on the 35th day from the date of issue of the bill. The Accounts Officer, Telephone Revenue (AOTR) is to issue disconnection orders and on receipt of the same, the exchange officer should disconnect such connections on the dates indicated therein. The Corporate office also issued instructions for issue of letters of notice to the defaulters prior to disconnection, besides telephonic reminders. Further, prompt action was to taken to collect the outstanding revenue and accounts were to be regularised on account of closed connections.

Test check of records in nine SSAs under Andhra Pradesh, Bihar, Rajasthan and Tamil Nadu circles as well as in Chennai and Kolkata telephone districts disclosed that in respect of 36 cases, despite non-receipt of payments within the scheduled dates, these SSAs did not disconnect the circuits in time and allowed the circuits to function. Audit observed that the reasons for non-disconnection were non-receipt of disconnection list, disputes in payment/billing, etc. This resulted in accumulation of outstanding revenue of Rs.32.65 crore. Further, in four SSAs under Assam and Madhya Pradesh circles and in Kolkata telephone district, there were 285 cases where the SSAs delayed disconnection despite non-payment of dues, resulting in accumulation of outstanding revenue of Rs.8.36 crore. The delays in disconnection ranged from one to nine months.

On this being pointed out by Audit, the SSAs stated that the matter would be verified and required action would be taken.

3.7.7 *Ineffective computerisation of leased line services*

In order to ensure prompt provisioning, billing and collection of revenue, it was important that there should be a proper database and that is regularly updated and effectively used for monitoring. Computerisation of data relating to leased line services would have greatly assisted the above, besides introducing stronger controls in terms of reminders for issue of bills, correct application of tariffs, and monitoring recovery of dues.

In January 2002 the Western Telecom Region (WTR) commissioned a captive computer network, called 'TVARIT', for provisioning and upkeep of the point-to-point leased line services. 'TVARIT' was an online system for country-wide application. The other three telecom regions viz. North, South and East had also established connectivity with the main router of WTR through a dedicated 2 Mb⁸ link installed in Delhi, Chennai and Kolkata, respectively. The Corporate office also issued (April 2002) guidelines for utilisation of 'TVARIT' online system by the circles and SSAs for processing all activities relating to leased line services.

Audit scrutiny of records (April 2007) relating to the functioning of 'TVARIT' system disclosed that the system was slow in response and was unable to cater to the load of various circles and SSAs. Although over the years many additions and modifications were made in the software and hardware of this system to suit the requirements of the time, the existing system failed to deliver the desired results. The system had become too complex to handle due to additions of patch software for new types of leased lines services such as Managed Leased Line Network, Multi Protocol Label Switching and Virtual Private Network. As of March 2007, 93,667 circuits were booked under the system and only 48,600 circuits could be processed by the software, showing a utilisation of only 52 per cent.

WTR took up (March 2007) the matter with the Corporate office to migrate 'TVARIT' system to the existing Data Centre (*i.e.*, National Internet Backbone Project III) at Mumbai in order to arrest the deficiencies of the 'TVARIT' system. The final decision of the Corporate office was, however, awaited (April 2007).

On this being pointed out, WTR accepted the fact and stated (April 2007) that the system, based on the old technology, was meant only for point-to-point leased line services. The system required redesigning with new technology so as to provide maximum output, covering all the new services.

3.8 *Conclusion*

Revenue from leased line services of the Company had grown at a relatively slower pace from Rs.349 crore in 2001-02 to Rs.522 crore in 2006-07. As brought out in the above report, there were leakages in the revenue of over Rs.517 crore, including potential loss of revenue, delays in billing and accumulation of outstandings. This was mainly on account of delays in provision of leased circuits, lack of a proper database on the services and subscribers, incorrect application of tariff and allowing dues to accumulate over the years especially from private parties. There is an urgent need for the Company to take corrective measures to minimise the revenue leakage by maintaining complete and updated database, strengthening internal controls, improving coordination between

⁸ *Mega bits*

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different branches and also between its circles, and monitoring of outstanding. Computerising all activities related to the leased line services would effectively support the Company to ensure maximum output economically and efficiently.

The statements of facts of this report have been accepted by the Ministry.