

CHAPTER II MAJOR FINDINGS IN TRANSACTION AUDIT - REVENUE

(A) Basic Telephony

2.1 Short charging of rentals

Failure of six Secondary Switching Areas under the Andhra Pradesh, Uttar Pradesh (East) and Punjab telecom circles to issue rental bills at higher rates commensurate with the enhanced capacities of exchanges resulted in short billing of Rs 30.03 crore.

As per codal provisions, the rates of rentals should be based on the total equipped capacity of exchanges/multi-exchanges/Short Distance Charging Areas for rural and urban areas. The Telecom Revenue Accounting (TRA) branch should revise the rentals in terms of statements of the equipped capacities of various exchanges received from the Engineering Wing. BSNL issued (April 1999, December 2000 and April 2003) tariff orders which inter-alia, prescribed slab rates of rental in terms of the equipped capacities of exchanges/exchange systems. The higher the exchange capacity, the higher would be the rates of rentals.

Case-I

Audit scrutiny (February 2003 and December 2005) of the records of five Secondary Switching Areas (SSAs) under the Andhra Pradesh and Uttar Pradesh (East) telecom circles revealed that although the exchange capacities of the urban and rural areas under these SSAs had been enhanced, the SSAs continued to realise rentals at lower rates. This resulted in short billing of Rs 1.87 crore for the period March 2002 to February 2006, as detailed in Appendix-I.

On this being pointed out by Audit, four SSAs stated (February-December 2005) that the revised rental bills would be issued, while the Chief Accounts Officer, Srikakulam SSA under Andhra Pradesh Telecom Circle stated (February 2006) that application of higher rate of rentals could lead to loss of customer base for the SSA.

The above reply of Srikakulam SSA was not acceptable because tariff orders clearly prescribed slab rates of rental in terms of the equipped capacities of exchanges/exchange systems and hence, the bills should have been issued in terms of the enhanced exchange capacities. Recovery particulars of the amount were awaited as of July 2006.

Case-II

Audit scrutiny (March 2006) of the records of the Chandigarh Secondary Switching Area (SSA) under the Punjab Telecom Circle revealed that the exchanges of Panchkula and Mohali were under the Chandigarh SDCA as per the National Numbering Scheme. Further the services to the subscribers of these two exchanges were also being provided from the Chandigarh SDCA. The total equipped capacity of all the exchanges of the Chandigarh SDCA exceeded 1,00,000 lines since April 2001. Audit, however, observed that the SSA billed the subscribers at a lower rate. This resulted in loss of rentals to the tune of Rs 28.16 crore for the period April 2001 to December 2005.

On this being pointed out by Audit, the Deputy General Manager (Finance), Punjab Telecom Circle stated (July 2006) that the exchanges of Panchkula and Mohali were in Kalka and Kharar SDCA, respectively, and the billing had been done correctly. He also stated that efforts were made by the Punjab Circle in the preceding years to transfer the exchanges of Panchkula and Mohali to the Kalka and Kharar SDCAs, respectively, but administrative approval for these transfers could not be obtained due to various reasons beyond the control of the Punjab Circle. The reply was clearly self contradictory. Further, the Assistant General Manager (Operation), Punjab Telecom Circle confirmed (June 2006) that both these exchanges were under the Chandigarh SDCA. Hence, as the total equipped capacity of the exchanges under the Chandigarh SDCA exceeded 1,00,000 lines, the rate of rentals should have been applied accordingly.

These cases were referred to the Ministry in November 2006; reply was awaited (December 2006).

2.2 Continuation of telecommunication facilities despite non-payment of dues

Failure to disconnect telephone connections of subscribers and STD/PCO operators for non-payment of rentals in 23 Secondary Switching Areas under the Bihar, Jharkhand, Karnataka, Rajasthan, Uttar Pradesh (East) and Uttar Pradesh (West) telecom circles resulted in non recovery of revenue of Rs 9.28 crore.

Rules, as adopted by BSNL, provide that telephone bills are payable by subscribers within 15 days from the dates of issue of their bills, failing which their telephones are liable to be disconnected, before the 35th day after following the prescribed procedure. 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. The Corporate office of the Company reiterated these provisions in February and October 2003.

Audit scrutiny (between May 2004 and May 2006) of the records of 23 Secondary Switching Areas (SSAs) under the Bihar, Jharkhand, Karnataka, Rajasthan, Uttar Pradesh (East) and Uttar Pradesh (West) telecom circles revealed that these SSAs continued to provide telecommunication services for unduly long periods to various subscribers despite non-payment of rental dues by these subscribers. This resulted in non recovery of revenue of Rs 9.28 crore for the period September 1996 to February 2006, as detailed in Appendix-II.

While accepting the facts and figures, the Deputy General Manager (Finance), Hubli SSA under the Karnataka Telecom Circle stated (April 2006) that the delays were mainly due to crashing of the billing software in October 2005 and the time taken for its restoration. The other SSAs stated that action was being taken to recover the outstanding dues and disconnect the telephone facilities of defaulting subscribers.

Out of Rs 9.28 crore, the Rajasthan Telecom Circle recovered an amount of Rs 61 lakh and cancelled Rs 17 lakh. Recovery particulars were awaited, as of October 2006, in respect of the balance.

The matter was referred to the Ministry in October 2006; reply was awaited (December 2006).

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

Six Secondary Switching Areas under the Bihar, Gujarat and Rajasthan telecom circles failed to raise rental bills of Rs 1.11 crore due to non-receipt of completed advice notes in their Telephone Revenue Accounting branches.

The Engineering branch 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 of the records (between January 2003 and March 2006) of six Secondary Switching Areas (SSAs) under Bihar, Gujarat and Rajasthan telecom circles revealed non-billing of Rs 1.11 crore towards rentals in respect of telecommunication facilities provided to various subscribers for the period July 2001 to December 2006 due to non-receipt of completed advice notes, as detailed in Appendix-III.

On this being pointed out in Audit, the Bhavnagar, Gandhinagar and Surendranagar SSAs recovered (between June 2003 and December 2005) Rs 55.78 lakh. Recovery particulars of the balance of Rs 54.92 lakh were awaited as of May 2006.

Cases of delayed billing/non-billing due to non-receipt of completed advice notes by the 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 July/August 2005, stated that BSNL had issued (October 2003 and January 2005) instructions to strictly observe timely receipt of completed advice notes in TRA branches. The deficiency, however, was found to persist.

The matter was referred to the Ministry in November 2006; reply was awaited (December 2006).

2.4 Loss of minimum guaranteed revenue

Failure of three Secondary Switching Areas under the Gujarat Telecom Circle to follow the instructions on observing minimum three month period before closure of STD/ISD Public Call Offices and collection of minimum guaranteed revenue from franchisees resulted in loss of minimum guaranteed revenue of Rs 27.24 lakh.

BSNL issued (July 2001) a revised format for its STD/ISD Public Call Office (PCO) franchisees, the annexure to which was to serve as an application-cum-agreement as well as a permission/licence for installation, maintenance and operation of STD/ISD PCOs. Clause 24 of the annexure provided that the agreement might be terminated by either BSNL or the franchisees by giving a prior written notice of not less than three months and such a notice would not absolve the franchisees of their liability to make payments of the amounts outstanding and/or due. Further, Clause 31 stipulated that the franchisees should pay the minimum guaranteed revenue prescribed by BSNL from time to time, irrespective of the number of calls made from the PCOs of these franchisees. Subsequently, BSNL fixed (May 2002) the minimum guaranteed revenue for the franchisees in rural and urban areas as Rs 100 and Rs 1,600 per PCO per month respectively. In the case of urban franchisees, this minimum guaranteed revenue was revised (March 2005) to Rs 800 per PCO per month from 1 April 2005.

Test check (October 2005 to February 2006) of the records of the Bharuch, Mehsana and Surat Secondary Switching Areas (SSAs) under the Gujarat Telecom Circle revealed that these SSAs closed 619 STD/ISD PCO connections without adhering to the stipulated minimum three month period before closing these PCOs. Out of 619 cases, 31 STD/ISD PCOs were closed on the day of receipt of closure applications, while in respect of the remaining 588 STD/ISD PCOs, delays in closing went up to 57 days, out of which in 92 per cent cases delays were up to 15 days from the date of receipt of applications for closure from the franchisees. Non-adherence to the provision of minimum three-month notice period before closing the PCOs resulted in loss of minimum guaranteed revenue of Rs 27.24 lakh for the period January 2002 to October 2005.

On this being pointed out in Audit, the Assistant General Manager (Commercial), Bharuch SSA stated (February 2006) that owing to non-receipt of BSNL's instructions of July 2001, the same could not be followed for the earlier period, though since April 2005, the SSA was strictly following the instructions. The

Assistant General Manager (Commercial), Mehsana SSA stated (December 2005) that action would be taken after receipt of compliance reports from the field units and the Telephone Revenue Accounting branch. The reply of the Surat SSA was awaited (July 2006).

The matter was referred to the Ministry in July 2006; reply was awaited (December 2006).

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

Non-implementation and delayed implementation of the revised pulse rates of calls made from local public call offices by two Secondary Switching Areas under the West Bengal Telecom Circle resulted in loss of revenue to the tune of Rs 24.26 lakh.

BSNL revised (17 August 2004) the pulse rate of all calls made from local public call offices (PCOs) from 180 seconds to 90 seconds with effect from September 2004. The pulse rate was further revised (22 December 2004) to 120 seconds and the rate per unit call was raised from Rupee one to two with effect from January 2005.

Test check (July 2005) of the records of the Durgapur Division of the Asansol Secondary Switching Area (SSA) under the West Bengal Telecom Circle revealed that the Division had failed to revise the pulse rate to 90 seconds with effect from September 2004. This resulted in a loss of revenue of Rs 18.99 lakh for the period September to December 2004. Further, in test check (July 2005) of the records of the Suri SSA under the same circle, it was found that the revision of the pulse rate to 120 seconds was implemented by the SSA with effect from 1 February 2005 instead of the stipulated date of 1 January 2005, resulting in a loss of revenue of Rs 5.26 lakh for the month of January 2005.

Thus non-implementation and delayed implementation of the revised pulse rates in terms of instructions of BSNL resulted in loss of revenue of Rs 24.26 lakh for the period September 2004 to January 2005, as detailed in the Appendix-IV.

On this being pointed out in Audit, the Suri SSA replied (August 2005) that the delay in implementing the revision was due to the necessity of some technical modifications being carried out in the exchanges. The Deputy General Manager, Durgapur division stated (August 2006) that non-receipt of orders dated 17 August 2004 issued by the Corporate office was the reason for non-implementation of revised pulse rates with effect from 1 September 2004.

The reply of Suri SSA was not convincing since these modifications could have been carried out immediately on receipt of the instructions from the Corporate

office. The contention of the DGM Durgapur was also not acceptable because BSNL Corporate office while issuing orders also placed a copy of the orders on the Intra-net portal of BSNL and DGM should have had no difficulty in accessing the orders.

The matter was referred to the Ministry in June 2006; reply was awaited (December 2006).

(B) Interconnection Usage Charges

2.6 Non-realization of charges from Reliance Infocom Limited for unauthorized routing of calls

Failure of the Eastern Telecom Region, Patna to realize charges amounting to Rs 38.61 crore from Reliance Infocom Limited for unauthorized routing of calls in violation of the interconnect agreement.

The interconnect agreement (January 2002) for provision of basic telephone services between Bharat Sanchar Nigam Limited (BSNL) and Reliance Infocom Limited (RIL) stipulated that a trunk group in an exchange, designated to carry a particular type of call, should not carry any other traffic. It was also stated that in the event of any wrong/unauthorized routing of calls detected by BSNL, all such wrongly routed calls recorded in those trunk groups would be billed at the rate of Rs 1.14 per metered call unit either from the date of provision of those points of interconnection or for the preceding two months, whichever was less, apart from taking other legal actions including disconnection of points of interconnection or temporary suspension of the interconnect agreement.

Test check (April and May 2006) of the records of the General Manager (GM), Maintenance, Eastern Telecom Region (ETR), Patna revealed that the Divisional Engineer (Technical) issued (October 2004) a notice to RIL for unauthorised routing of their calls during the period May 2003 to September 2004 and directed them to pay a sum of Rs 38.61 crore for such unauthorised routing in pursuance of the provisions of the agreement. Although RIL disputed (between November 2004 and April 2005) the bill and stated that there was no intentional bypass of traffic, ETR Patna refuted (between December 2004 and May 2005) the claim of RIL. They stated that this case was a clear violation of the agreement as the test checks of call detail records (CDRs) by ETR Patna showed bypass of calls by RIL to points of interconnection other than the Patna Local Distance Charging Area, for which these calls were meant. Audit noted that instead of insisting on recovering Rs 38.61 crore, GM (Maintenance) ETR Patna, in consultation with their Circle office at Kolkata, decided (July 2005) to revise the bill by splitting the calls as wrongly routed calls for the period May to October 2003 and invalid/incomplete calls for the period November 2003 to September 2004. Accordingly, a revised bill of Rs 14.33 crore was issued (August 2005) for the wrongly routed calls for the period May to November 2003. Subsequently, citing

the provisions of BSNL's circular of June 2005, another bill for only Rs 1.51 lakh was issued (February 2006) for the invalid/incomplete calls for the remaining period November 2003 to September 2004. As of May 2006, neither of these amounts were recovered from RIL nor was any action initiated to disconnect their points of interconnection which had been misused.

On this being pointed out in Audit, the Divisional Engineer (Technical) ETR, Patna accepted the facts and stated (May 2006) that the claim was revised from Rs 38.61 crore to Rs 14.33 crore in the light of instructions issued by the Corporate office in June 2005 and also in consultation with the Circle office, Kolkata. It was also stated that ETR, Patna had issued disconnection notice, which did not materialize as the decision from the Regulation Cell of the Corporate office was pending.

The reply was not convincing because the reasons for division of the calls into two parts were not recorded anywhere; infact, the records clearly indicated unauthorised routing of calls after thorough investigation of CDRs by ETR, Patna. Further, since the Divisional Engineer (Technical), ETR Patna had adjudged these wrong routing of calls as a deliberate attempt on the part of RIL, the instructions contained in the Corporate office's letter of June 2005 were not applicable in this case.

Thus the failure of ETR, Patna to recover dues for unauthorised routing of calls by RIL in violation of the agreement resulted in non-recovery of revenue of Rs 38.61 crore for the period May 2003 to September 2004.

The matter was referred to the Ministry in October 2006; reply was awaited (December 2006).

2.7 Non-realisation of interconnection usage charges and interest thereon

Sixteen Secondary Switching Areas under five telecom circles as well as the Eastern Telecom Region, Bhubaneshwar failed to realise interest of Rs 2.46 crore for delayed payment of the access charges/interconnection usage charges by private telecom service operators. Further, four Secondary Switching Areas under two telecom circles also failed to realise interconnect usage charges of Rs 63.01 lakh.

BSNL entered into interconnect agreements with private telecom service providers for interconnection of its network with their networks. As per the agreements, private service providers had to pay access charges⁺ up to April 2003 and Interconnection Usage Charges* (IUC) from May 2003. The bills were to be

+ Access charges: charges payable by private service providers for calls originating in their network and terminating in BSNL's network.

* Interconnect usage charges: carriage cost plus access deficit charge plus termination charges between two operators.

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. BSNL also issued instructions regarding rates of interests and their applicability from time to time.

Test check (between September 2004 and February 2006) of the records in 16 Secondary Switching Areas (SSAs) under the Andhra Pradesh, Gujarat, Kerala, Orissa and Rajasthan telecom circles and the Eastern Telecom Region (ETR), Bhubaneswar revealed that 11 private service operators did not pay access charges/IUC in time relating to the period March 2002 to January 2006 and the delays in respect of 896 bills were upto 528 days from the due dates, out of which in 57 per cent cases, the delay was more than 30 days. Despite these delays in payments, the above SSAs and ETR, Bhubaneswar failed to realise interest in terms of the provisions under the respective agreements and BSNL's instructions, resulting in non-recovery of interest of Rs 2.46 crore, as detailed in Appendix-V.

Audit also observed that in respect of another 80 cases related to four SSAs under the Kerala and Rajasthan telecom circles, IUC of Rs 63.01 lakh were not at all paid by five private service operators within the stipulated time during the period October 2003 to August 2005, as detailed in Appendix-VI.

On this being pointed out by Audit, 10 SSAs under the Andhra Pradesh, Gujarat, Kerala, Orissa and Rajasthan telecom circles and ETR, Bhubaneswar either issued bills or stated that the bills were being issued for the interest due and out of them, the Calicut SSA reported (October 2005) recovery of Rs 14.11 lakh. The other four SSAs under the Gujarat, Orissa and Rajasthan telecom circles accepted the audit observations and stated (between February 2005 and February 2006) that the matter had been brought to the notice of the respective circle offices for further necessary action. The remaining two SSAs, viz., Alwar and Sikar SSAs, under the Rajasthan Telecom Circle stated (October 2005 and February 2006) that the cases were under examination and the bills would be issued in due course.

Recovery particulars of the balance of Rs 2.32 crore of interest on delayed payments of access charges/IUC and the unpaid IUC of Rs 63.01 lakh were awaited as of July 2006.

The matter was referred to the Ministry in November 2006; reply was awaited (December 2006).

2.8 Non-billing of infrastructure charges for passive links

Failure of 14 Secondary Switching Areas in the Andhra Pradesh, Gujarat, Maharashtra, Punjab and Tamil Nadu telecom circles to levy charges amounting to Rs 2.60 crore for infrastructural facilities in respect of passive links provided to private telecom service providers.

BSNL, as an interconnection provider, permitted (April 2002) private telecom service operators to interconnect their networks with BSNL's network through

passive links* after taking undertaking from the operators that infrastructure charges for such passive links would be paid as and when finalized, with retrospective effect. Subsequently, the infrastructure charges for the passive links were fixed (April 2005) at the rate of Rs 15,000 per E1 (or Ethernet*) per passive link per annum.

Audit scrutiny (between July 2005 and March 2006) of the records of 14 Secondary Switching Areas (SSAs) under the Andhra Pradesh, Gujarat, Haryana, Maharashtra, Punjab and Tamil Nadu telecom circles revealed that the infrastructure charges for passive links were not billed by these SSAs in respect of various private service operators, resulting in non-billing of Rs 2.60 crore for the period March 2001 to December 2006, as detailed in Appendix-VII.

On this being pointed out in Audit, bills were issued by all the SSAs and four of them viz., Amritsar, Bhavnagar, Sangareddy and Tirupathi SSAs realized a sum of Rs 48.75 lakh. Recovery particulars of the balance of Rs 2.11 crore were awaited as of June 2006.

The matter was referred to the Ministry in November 2006; reply was awaited (December 2006).

2.9 Non-billing of interconnect licence fees

Failure of six Secondary Switching Areas under the Andhra Pradesh Telecom Circle to collect interconnect licence fees amounting to Rs 1.35 crore from e-Seva, Andhra Pradesh.

BSNL revised (April 2001) interconnect licence fees to Rs 4 lakh per annum per 64 Kbps* link, subject to a maximum of Rs 15 lakh per annum per 2 Mbps^ link in respect of single party networks*.

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.

* Passive links involve connection through copper wires at one end and optical lines terminal equipment at the other end.

• Ethernet is a standard communication protocol embedded in software and hardware for building a Local Area Network (LAN).

• Kilo bits per second

^ Mega bits per second

* A network connecting the various locations/offices of a single legal entity

Test check (September 2005 to February 2006) of records of six SSAs under the Andhra Pradesh Telecom Circle revealed that they had failed to collect the interconnect licence fees in respect of data circuits provided to the Director, e-Seva. This resulted in non-billing of Rs 1.35 crore for the period June 2004 to November 2006, as detailed in Appendix-VIII.

On this being pointed out in Audit, three SSAs issued (between December 2005 and March 2006) bills to the tune of Rs 63 lakh. The other three SSAs stated (between September and December 2005) that the matter was under correspondence with the Corporate office of BSNL by Andhra Pradesh Telecom Circle for taking action for recovery of e-Seva bills.

The above reply was not acceptable because the Corporate office's instructions of September 2005 indicated that the interconnectivity charges for e-Seva project were to be recovered by the Andhra Pradesh Telecom Circle. Recovery particulars of Rs 1.35 crore were awaited as of August 2006.

A comment on similar cases was made in the Report of the Comptroller and Auditor General of India, Union Government (Commercial) for the year ending 31 March 2005 i.e. Report No. 13 of 2006. No action had, however, been taken to recover these outstanding amounts.

The matter was referred to the Ministry in June 2006; reply was awaited (December 2006).

2.10 Short billing of port charges

Failure of 10 Secondary Switching Areas under three telecom circles to bill port charges correctly and in time resulted in short billing of port charges of Rs 1.05 crore.

BSNL revised (March 2002) port* charges for network interconnection, payable by all licensed service providers (except Internet service providers), whether new or existing, with retrospective effect from 28 December 2001. As per the revised instructions, the port charges were to be levied based on the slabs of number of ports i.e., one to 16, 17 to 32, up to 129 to 256 ports. The ports in a service area were not to be clubbed for determining applicable slab of port charges as the rates were to be reckoned for each point of interconnection respectively. Besides, additional demands for ports at any time were not to be clubbed with earlier working ports for arriving at the applicable slab of port charges.

Test check (between September 2004 and December 2005) of the records of 10 Secondary Switching Areas (SSAs) under Andhra Pradesh, Gujarat and Tamil Nadu telecom circles revealed that after recovery of port charges from the private service providers for the first year through initial demand notes, subsequent bills

* Port is a point of connection through which data is received and sent. Port charges, levied by BSNL, are entry charges for access to its network by private operators.

for port charges were not issued by eight SSAs, resulting in non-billing of Rs 92.62 lakh for the period November 2001 to December 2006. Audit also noticed that in respect of two SSAs, the port charges were short realized to the extent of Rs 12.25 lakh for the period April 2005 to March 2006. The non-billing and short realization of port charges led to non-recovery of Rs 1.05 crore, as detailed in Appendix-IX.

Audit observed that the main reasons for non/short billing were non-receipt of completed advice notes by the Telecom Revenue Accounting (TRA) branch in time, lack of intimation on the details of the ports provided at the time of decentralization of billing and introduction of a billing software.

On this being pointed out in Audit, three SSAs under Andhra Pradesh Telecom Circle stated (October 2005 and January 2006) that they had issued bills for the entire amount and a sum of Rs 22.99 lakh had been recovered. Again, one SSA under the Gujarat Telecom Circle realized (March 2006) the entire amount of Rs 10.50 lakh, while the remaining two SSAs issued (December 2004 and December 2005) bills for recovery. Further, three SSAs under the Tamil Nadu Telecom Circle also intimated (August-September 2006) that a sum of Rs 20.50 lakh had been recovered (between March and May 2006).

Recovery particulars of the balance of Rs 50.88 lakh were awaited as of August 2006.

The matter was referred to the Ministry in June 2006; reply was awaited (December 2006).

2.11 Loss of revenue due to non-collection of interconnection usage charges

Delay in reconciliation of billing of Interconnection Usage Charges of three National Long Distance Operators by the Chennai Telephone District as well as failure to issue bills for recovery of the short billed amount, resulted in loss of revenue of Rs 97.19 lakh.

The interconnect agreements between BSNL and private National Long Distance Operators (NLDOs), viz., Videsh Sanchar Nigam Limited (VSNL), Reliance Infocom Limited (RIL) and Bharati Televentures Limited (BTL), inter-alia, stipulated that BSNL was to intimate the charges payable by these NLDOs on a monthly basis. If the bill issuing authority subsequently found that some charges had been omitted from the bills issued, the omitted charges were to be included within six months from the dates of issue of bills, except in cases where additional billing became necessary due to changes in tariff rates with retrospective effect.

Test check (May 2006) of the records of the General Manager (GM), Network Coordination, Chennai Telephone District (CTD) revealed that while reconciling

the billing for interconnection usage charges, the reconciliation team of CTD detected (April 2006) wrong rating of calls for the period April to June 2005 in respect of the NLDOs. VSNL, RIL and BTL recommended recovery of Rs 97.19 lakh from them. Audit, however, observed that despite approval (April 2006) of GM (Telephone Revenue), CTD, no supplementary bills were issued to recover this short billed amount of Rs 97.19 lakh from these NLDOs. This resulted in loss of revenue of Rs 97.19 lakh for the period April to June 2005.

On this being pointed out in Audit, the Sub Divisional Engineer (Network Coordination), CTD stated (May 2006) that the delay in detection of wrong billing for nearly one year from the date of issue of the bills for the said period was mainly due to huge volume of IUC call detail records and delays in providing infrastructure and adequate staff for reconciliation process.

The reply was not convincing as there was not only delay in detection of wrong billing, but the bills were also not issued even after detection of wrong billing.

Thus delay in reconciliation of billing of interconnection usage charges of NLDOs by CTD as well as the failure to issue bills for recovery of the short billed amount, resulted in loss of revenue of Rs 97.19 lakh. The chances of recovery were remote since as per the interconnect agreement, omitted charges were to be billed within six months from the dates of issue of bills.

The matter was referred to the Ministry October 2006; reply was awaited (December 2006).

2.12 Non-recovery of adhoc annual recurring charges for infrastructure sharing

Failure of three Secondary Switching Areas in the Tamil Nadu Telecom Circle to levy adhoc annual recurring charges for sharing infrastructural facilities provided to licensed private operators, resulted in non-recovery of Rs 78.01 lakh for the period March 2004 to March 2007.

The Corporate office of BSNL issued (February 2001) instructions for fixation of regular infrastructure sharing charges on the basis of actual sharing of its facilities by the licensed private operators. However, the Chief General Manager, Tamil Nadu Telecom Circle instructed (August 2004) all its Secondary Switching Areas (SSAs) to charge adhoc annual recurring charges for providing infrastructure to private telecom operators at Rs 10 lakh per site per system, as an interim measure, pending finalisation of the disputes raised by the private operators on the calculation of infrastructure charges stipulated in the February 2001 order.

Test check of the records (between April 2005 and June 2006) of three SSAs, viz., Dharmapuri, Erode and Nagercoil of the Tamil Nadu Telecom Circle revealed that the infrastructure sharing charges were not realized after commissioning of

the system in respect of various private operators. This resulted in non-billing of Rs 78.01 lakh for the period March 2004 to March 2007, as detailed in Appendix-X.

On this being pointed out in Audit, the Dharmapuri SSA stated (August 2005 and June 2006) that a sum of Rs 10.46 lakh had been recovered (June 2005), while bills had been raised for the remaining amount. The Erode SSA stated (November 2005) that a sum of Rs 4.33 lakh was already recovered (December 2005 and February 2006) from the private operators while the Nagercoil SSA stated (May 2006) that bills had been issued for recovery. Recovery particulars of the balance of Rs 63.22 lakh were awaited as of July 2006.

The matter was referred to the Ministry in October 2006; reply was awaited (December 2006).

2.13 Short billing of port charges in respect of private operators

Seven Secondary Switching Areas under the Tamil Nadu Telecom Circle billed port charges from the date of commissioning instead of from one month of sanction, resulting in short billing of Rs 60.54 lakh.

In order to obtain access to the network of BSNL, private operators have to enter into interconnect agreements with the Company, which inter-alia, provide for collection of port* charges as prescribed from time to time by BSNL. In order to streamline the charges to be levied and collected from private operators, the Chief General Manager Telecommunications (CGMT), Tamil Nadu Telecom Circle issued (December 2003) instructions to all the Secondary Switching Areas (SSAs) under his jurisdiction that with effect from January 2003, for the purpose of billing port charges, the date of provision of a port would be the actual date of its commissioning or one month from the date of sanction of the port, whichever was earlier.

Test check (between April and December 2005) of the records of the Coonoor, Dharmapuri, Karaikudi, Kumbakonam, Nagercoil, Thanjavur and Tuticorin SSAs under the Tamil Nadu Telecom Circle revealed that contrary to the instructions of the CGMT, these SSAs billed port charges from the dates of commissioning, though the period of one month from the dates of sanction of these ports had been over earlier. This resulted in short billing of port charges of Rs 60.54 lakh.

On this being pointed out by Audit, all six SSAs issued (between June and December 2005) supplementary bills. The Coonoor SSA stated (January 2004) that supplementary bills would be issued after verification of the facts. Thus the

* Port is a point of connection through which data is received and sent. Port charges, levied by BSNL, are entry charges for access to its network by private operators.

failure to follow the instructions of the CGMT, Tamil Nadu Telecom Circle resulted in short billing of Rs 60.54 lakh in seven SSAs of this circle. Till February 2006, only Rs 1.32 lakh had been recovered. Recovery particulars of the balance of Rs 59.22 lakh were awaited as of August 2006.

The matter was referred to the Ministry in June 2006; reply was awaited (December 2006).

2.14 Short billing of interconnect usage charges

Failure of the Kollam Secondary Switching Area under the Kerala Telecom Circle to realize the correct tariff of interconnect usage charges for calls terminating from 'intra-circle in-roamers' of Reliance Infocomm Limited resulted in short billing of Rs 55.10 lakh.

BSNL instructed (27 February 2004) all heads of circles that the terminating calls from 'intra-circle in-roamer subscribers'[^] of Reliance Infocomm Limited (RIL) should be accepted in the trunk group 'DA'^{*}, instead of trunk group 'AE'. It was also instructed that no traffic was required to be accepted in the trunk group 'AE' from RIL till the migration of RIL to the level '93' was completed under the new numbering scheme of the Unified Access Service Licence agreement and arrears were to be collected with effect from 1 February 2004. In its earlier order of 6 February 2004, the interconnect usage charge (IUC) for all types of calls handed over to trunk group 'DA' was fixed at Rs 1.10 per minute.

Test check (March 2006) of the records of the Kollam Secondary Switching Area (SSA) under the Kerala Telecom Circle revealed that calls received in the trunk group 'DA' at three points of interconnection viz., Karunagappally, Kollam and Punalur, between February and October 2004 were billed at the rate of Rs 0.80 per minute instead of Rs 1.10 per minute. This resulted in short billing of IUC to the tune of Rs 55.10 lakh for the period February to October 2004.

On this being pointed out in Audit, the Chief Accounts Officer (Telephone Revenue-Value Added Services), Kollam SSA accepted the facts and stated (April 2006) that bills for Rs 55.10 lakh had been issued (April 2006) for recovery. Recovery particulars were awaited as of May 2006.

The matter was referred to the Ministry in October 2006; reply was awaited (December 2006).

[^] Intra-circle in-roamer subscribers: roaming subscribers of other circles within the boundaries of a particular circle.

^{*} Trunk group 'DA': the group pertaining to the route of the trunk calls between RIL (Mobile) and BSNL (fixed and mobile).

(C) Circuits

2.15 Non-billing of rentals of leased circuits

Ten Secondary Switching Areas under Chhattisgarh, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Uttaranchal and Uttar Pradesh (West) telecom circles to raise bills for leased circuits resulted in non-billing of Rs 2.43 crore.

As per codal provisions, the initial rentals are to be recovered by the engineering authorities for the first year through demand notes, while for the subsequent years, the rentals are to be claimed through bills raised by the Telecom Revenue Accounting (TRA) Branch. In this regard, the Corporate office of the Company instructed (November 2002) that for the billing of leased circuits, the first year rentals should be recovered in advance for 12 months from the date of installation/provision and for the second year, rent should be charged only for the period from first anniversary date of installation up to the conventional billing month. It was also instructed that for the third year, annual rent should be recovered as per conventional billing cycle.

Test check of records between April 2004 and February 2006 of 10 Secondary Switching Areas (SSAs) under Chhattisgarh, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh (West) and Uttaranchal telecom circles revealed that though the bills for the advance rentals for the initial years were issued and realized in respect of various leased circuits provided to different subscribers, the bills for the rentals relating to the subsequent years for various periods between February 1980 and February 2007 had not been raised by the TRA branches of these SSAs. Audit observed that non-billing of circuits in these SSAs was due to lack of coordination between the TRA and the Commercial branches. The total amount of the non-billing was Rs 2.43 crore in these 10 SSAs, as detailed in Appendix-XI.

On this being pointed out in Audit, all the SSAs issued bills in respect of their cases, while the Accounts Officer (Telecom Revenue) of the Raipur SSA (December 2005) and the Deputy General Manager (Apparatus and Plant), Moradabad SSA stated (March 2006) that bills would be issued after verification with the concerned SSAs. In Bhilwara, Jaipur and Nanded SSAs, a total sum of Rs 92.89 lakh had been recovered so far (October 2005–April 2006). Recovery particulars of the balance of Rs 1.50 crore were awaited as of June 2006.

The matter was referred to the Ministry in November 2006; reply was awaited (December 2006).

2.16 Short billing of rentals as per resources utilized

Failure of the Hyderabad and Gurgaon Secondary Switching Areas under the Andhra Pradesh and Haryana telecom circles to charge rentals for local leased circuits within Short Distance Charging Areas as per the resources utilized, resulted in short billing of Rs 1.28 crore.

The Department of Telecommunications (DoT) issued (February 2000) orders that leased circuits provided within Short Distance Charging Areas (SDCAs) would be considered local circuits (main circuits) and the chargeable distance would be the entire distance from customers' premises (at end A) to the customers' premises (at end B). Subsequently, BSNL clarified (April 2002) that the rentals on such circuits would be charged according to the number of pairs of wire utilized to provide the circuits, i.e. two wire charges if single pairs were used and four wire charges if two pairs were used.

Test check (November 2005 and February 2006) of the records of the Hyderabad and Gurgaon SSAs under Andhra Pradesh and Haryana telecom circles revealed that the rentals for local leased circuits provided between December 2002 and November 2004 on four wires to various subscribers within the SDCAs had been billed at two wire charges instead of four wire charges. This resulted in short billing of Rs 1.28 crore for the period December 2002 to March 2006.

In reply, Hyderabad SSA stated (December 2005) that since the SSA could not provide 2 Mbps* circuits as demanded by the subscribers and the subscribers had bought their own 2 Mbps circuits, they were billed at two wire charges. The Gurgaon SSA stated (May 2006) that the rentals were to be charged at single rate in terms of the instructions of the Corporate office of BSNL in their circular issued on 3 April 2002.

The replies are not tenable because the Corporate office had clearly instructed in its order dated 29 April 2002 that for leased circuits within SDCA, bills were to be issued as per the resources utilized. The Corporate office had also clarified (29 November 2002) that it was the choice of the customers to use either two wire or four wire modems. Since in these cases the subscribers had used four wire circuits, the bills should have been issued at four wire charges.

Recovery particulars were awaited as of June 2006.

The matter was referred to the Ministry in October 2006; reply was awaited (December 2006).

* Mega bit per second

2.17 Loss of potential revenue due to delays in providing leased circuits

Failure of three Secondary Switching Areas under the Bihar and Karnataka telecom circles and the Calcutta Telephones District to provide leased circuits within the stipulated time resulted in loss of potential revenue of Rs 1.04 crore.

BSNL issued (March 2001) instructions regarding timely provision of leased circuits, according to which these were to be provided within seven days of receipt of the final advice notes.

Test check (December 2005 to March 2006) of the records of three Secondary Switching Areas (SSAs) under Bihar and Karnataka telecom circle and the General Manager (Operation and Business Development) under the Calcutta Telephones District revealed that they failed to provide leased circuits to different subscribers within the stipulated time. The delays were upto 1287 days, out of which in 53 *per cent* cases, delays were more than 200 days in providing the circuits. Audit observed that the main reasons for delays were non-availability of circuits, modems, local leads and also the time taken to coordinate among various wings. This resulted in loss of potential revenue of Rs 1.04 crore for the period July 2002 to February 2006, as detailed in Appendix-XII.

On this being pointed out in Audit, the Sub Divisional Engineers (Commercial), Hajipur and Samastipur SSAs as well as the Chief Accounts Officer (FA), Hubli SSA accepted (December 2005, March 2006 and April 2006) the facts. The reply from Calcutta Telephones District was, however, awaited.

The matter was referred to the Ministry in June 2006. Reply was awaited as of December 2006.

2.18 Loss of revenue due to delayed disconnection of leased circuits

Failure of the Chennai Telephones District and the Asansol Secondary Switching Area under the West Bengal Telecom Circle to disconnect the leased circuits of two private firms in time and recover the rentals resulted in loss of revenue of Rs 92.54 lakh.

According to existing instructions, telephone bills are payable within 21 days from the date of issue of bills, failing which the telephone is liable to be disconnected on the 35th day from the date of issue of the bill. BSNL issued instructions from time to time for timely disconnection of telephones for non-payment of outstanding bills.

Test check (February-March 2006) of the records of the Chennai Telephones District and the Asansol Secondary Switching Area (SSA) under the West Bengal

Telecom Circle revealed that they failed to disconnect the leased lines of two private firms in time for non-payment of rentals resulting in loss of revenue, as detailed below:

Case-I

The Deputy General Manager (Long Distance), Chennai Telephones District provided (between January 2000 and October 2000) various leased lines* with E1R2 links* to a private firm, Patriot Automation Projects Limited, Chennai and issued rental bills (between May 2001 and June 2002) for Rs 60.55 lakh, which were not paid by the firm. However, for such non-payment, the Chennai Telephones District failed to disconnect the leased lines within the stipulated 35 days from the date of issue of these bills the delay in disconnection was up to 546 days and in 64 per cent cases, the delay was more than 250 days from the due date of disconnection, as detailed in Appendix-XIII. This resulted in loss of revenue of Rs 60.55 lakh.

On this being pointed out in Audit, the Senior Accounts Officer (Telephone Revenue-Long Distance), Chennai Telephones District stated (March 2006) that the circuits were provided to Internet Service Provider (ISP) and hence the same could not be disconnected due to non payment. The reply was not acceptable as the rules regarding disconnection were applicable to ISP also and the circuits were actually disconnected by BSNL itself after delays.

Case-II

The Asansol SSA under the West Bengal Telecom Circle provided leased lines with four E1R2 links (August 2002) to a private firm, Descon Limited, Kolkata. The SSA issued rental bills (August 2003 to December 2005) for the leased lines provided to the firm, but the firm did not pay any bill. Instead of disconnecting the leased lines for non-payment within 35 days of the date of issue of the bills, the SSA continued the facilities till February 2006, when the leased lines were disconnected. The delay in disconnections was up to 881 days and in 67 per cent cases, delay was more than 300 days from the due dates of disconnections. This resulted in loss of revenue of Rs 31.99 lakh, as detailed in Appendix-XIII.

On this being pointed out in Audit, the Accounts Officer (Cash), Asansol SSA accepted (February 2006) the facts and confirmed the disconnection of the circuits.

* Leased lines are dedicated or permanent telephone connections between two fixed points across a private network.

* An E₁R₂ link is a circuit provided for E-mail licensees and Internet Service Providers for connecting Remote Access Servers to the nearest telephone exchanges.

Thus the failure of the Chennai Telephones District and the Asansol SSA to disconnect the circuits in time and recover the due rentals resulted in loss of revenue of Rs 92.54 lakh.

The matter was referred to the Ministry in November 2006; reply was awaited (December 2006).

2.19 Non-billing of lines and wires leased to the Railways

Five Secondary Switching Areas under the West Bengal Telecom Circle failed to issue bills for rentals in respect of lines and wires leased to the Railways amounting to Rs 42.50 lakh for the period April 2002 to March 2006.

As per codal provisions, the Railways may be provided with any number of lines and wires that they may require for railway telephones, telegraph, etc. for administrative or operative purposes at different rates of rent, as issued from time to time by BSNL.

The Corporate Accounts Wing of the office of the Chief General Manager Telecom (CGMT), West Bengal Telecom Circle, Kolkata was the billing authority in respect of the lines and wires leased to the Railway authorities up to 31 March 2002. Subsequently, the Circle office decided (February 2003) to designate the Secondary Switching Areas (SSAs) as the bill issuing authorities for these leased lines and wires. The CGM West Bengal Circle directed GMs of concerned SSAs to conduct a joint inspection with the Railways in order to identify the lines and wires in use by the Railways in their respective jurisdictions. They were also instructed (May and June 2003) to issue all bills, pending from 1 April 2002, to the Eastern and Northeast Frontier Railways based on the lengths of the leased lines and wires earmarked during the joint inspections.

Test check (between March 2005 and January 2006) of the records of five SSAs under West Bengal Telecom Circle, which were designated as the bill issuing authorities, revealed that none of these five SSAs had raised half yearly bills in respect of the lines and wires leased to the Railways for the period April 2002 to March 2006, resulting in non-billing of Rs 42.50 lakh.

On this being pointed out by Audit, four SSAs issued bills, while the Raigunj SSA stated (January 2006) that it had not received any instructions from the Circle office. Recovery particulars of the amount of Rs 42.50 lakh were awaited as of July 2006.

The matter was referred to the Ministry in June 2006; reply was awaited (December 2006).

(D) Others

2.20 Failure to recover compensation for damage to underground cables

Failure of eight Telecom Districts under Orissa, Jharkhand, and Karnataka to prefer claims for damage to underground cables resulted in non-recovery of compensation of Rs 5.44 crore.

Rules provide that when the property of the Company is damaged by an outside agency, compensation should be claimed.

Audit scrutiny ((November 2004 to July 2006)) of the records of six telecom districts under Orissa Telecom circle and one telecom district each under Jharkhand and Karnataka revealed that the State Government authorities, Municipal agencies, and private operators, while undertaking digging works, had damaged underground cables of the Company on 506 occasions between January 2004 and March 2006. Audit noticed that the GMs of the Telecom Districts failed to prefer compensation claims on the concerned parties resulting in non-realisation of compensation claims of Rs 5.70 crore as shown in Appendix-XIV.

On this being pointed out in Audit, the Telecom districts under Orissa Circle stated that the matter was being pursued with the State Government authorities and private parties for realization of compensation charges. The Deputy General Manager (Planning), Mangalore, stated (April 2006) that a detailed report in the matter was sent in March 2006 to Circle Office and a consolidated list of claims had also been sent to the local authorities for making payment. The Sub-Divisional Engineer (Planning-I), GM, TD Ranchi accepted the facts and stated (April 2006) that the claims could not be lodged in time due to procedural delays and non-availability of relevant orders for processing the compensation claims. He further stated that after this fact had been mentioned by Audit, the compensation claims had been processed for issue of demand notes. He also stated that out of the compensation claims of Rs 1.83 crore, an amount of Rs 25.80 lakh had been recovered (March 2006) in one case and the remaining cases were being pursued vigorously.

Thus the failure of GMsTD to prefer compensation claims resulted in non-recovery of compensation of Rs 5.44 crore from the concerned parties even after the lapse of more than one year.

The matter was referred to the Ministry in May 2006; reply was awaited (December 2006).

2.21 Recovery at the instance of Audit

Out of Rs 7.02 crore outstanding against the subscribers due to short billing/non-billing pointed out by Audit, BSNL recovered Rs 6.98 crore.

Test check (between May 2003 and February 2006) of the records pertaining to the Chennai Telephone District and 19 Secondary Switching Areas (SSAs) under eight telecom circles of BSNL revealed that an amount of Rs 7.02 crore during the period March 1997 to June 2006 was not billed and/or short billed mainly due to application of old/lower tariff, incorrect application of tariff, incorrect fixation of rent, non-implementation of revised tariff order and non-application of infrastructure sharing charges and annual maintenance charges, as detailed in Appendix-XV.

On this being pointed out in Audit, the Chennai Telephone District and the SSAs issued bills for Rs 7.02 crore and recovered Rs 6.98 crore. Recovery particulars of the balance of Rs 3.24 lakh were awaited as of August 2006.

The matter was referred to the Ministry in November 2006. Reply was awaited as of December 2006.