# Report of the Comptroller and Auditor General of India

for the year ended March 2006

# Union Government (Commercial)

## (Telecommunications Sector)

### Transaction Audit Observations

# No.12 of 2007

(Regularity Audit)

# CONTENTS

## ITI LIMITED



## FOLLOW UP ON AUDIT REPORTS

# PREFACE

Report No. 12 for the year ending March 2006 has been prepared for submission to the Government by the Comptroller and Auditor General of India in terms of the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984. It features the results of audit of the public sector undertakings of the telecom sector. The Companies covered are Bharat Sanchar Nigam Limited, Mahanagar Telephone Nigam Limited, ITI Limited, Telecommunications Consultants India Limited, Intelligent Communication Systems India Limited and Millennium Telecom Limited which are under the Department of Telecommunications (Ministry of Communications and Information Technology).

The Report contains 49 paragraphs divided into six chapters.

# Telecom Sector Profile

## 1. Background

Indian telecom is more than 160 years old, beginning with the commissioning of the first telegraph line between Kolkata and Diamond Harbour in 1839. In 1948, India had only 0.1 million telephone connections with a telephone density of about 0.02 telephone per hundred population. By June 2006 there were 153.42 million telephone (including cellular mobile) connections in the country with a telephone density of 13.96 telephones per hundred population.

Various administrative and functional aspects of the telecom sector in India are discussed below:

## 2. Administration and Control

The Telecom Commission, set up in April 1989, has the administrative and financial powers of the Government of India to deal with various aspects of telecommunications. The Commission and the Department of Telecommunications (DoT) are responsible, *inter alia*, for policy formulation, licensing, wireless spectrum management, administrative monitoring and control of the Public Sector Undertakings (PSUs) engaged in telecommunication services, research and development, and standardization/validation of equipment.

In addition to the Telecom Commission, other Government organisations engaged in the telecom sector (as a part of DoT) are the Centre for Development of Telematics (CDOT), the Telecom Engineering Centre (TEC) and the Wireless Planning and Coordination (WPC) wing. CDOT was established in 1984 with the objective of developing a new generation of digital switching items. It has developed a wide range of switching and transmission products both for rural and urban applications. TEC is devoted to product validation and standardization for user agencies. It also provides technical and engineering support to the Telecom Commission and the field units.

The Wireless Planning and Coordination wing deals with the policies of spectrum management, licensing, frequency assignments, international coordination for spectrum management and administration of the Indian Wireless Telegraphy Act, 1933. In order to administer the use of radio frequencies, the licences/renewals for use of wireless equipment and the frequencies are authorised by WPC. The licences are granted for specific periods on payment of prescribed licence fees and royalty in advance and are renewed after expiry of the validity periods.

## 3. Telecom Reforms

As a part of the continuing process of telecom reforms and in pursuance of the New Telecom Policy 1999 (NTP-99), the Department of Telecom Services (DTS) and the Department of Telecom Operations (DTO) were carved out from DoT in October 1999 for providing telecommunication services in the country. DTS and DTO were finally corporatised into a wholly owned Government Company namely, the Bharat Sanchar Nigam Limited (BSNL) (incorporated on 15 September 2000) and their business was transferred to this Company with effect from 1 October 2000. The creation of BSNL was expected to provide a level playing field in all areas of telecom services, between Government operators and private operators.

## 4. Regulatory control

The entry of private service providers in 1992 brought with it the inevitable need for independent regulation. The Telecom Regulatory Authority of India (TRAI) was thus established with effect from 20 February 1997 by an Act of Parliament, called the Telecom Regulatory Authority of India Act, 1997, to regulate telecom services, including fixation/revision of tariffs for telecom services, which were earlier vested in the Central Government. The TRAI Act was amended by an ordinance, effective from 24 January 2000, establishing a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) to take over the adjudicatory and disputes functions from TRAI. TDSAT was set up to adjudicate any dispute between a licensor and a licensee, between two or more service providers, between a service provider and a group of consumers, and to hear and dispose of appeals against any direction, decision or order of TRAI.

## 5. Telecom Policies

The first National Telecom Policy was announced in 1994 with a major thrust on universal service and qualitative improvement in telecom services besides the starting of private sector participation in basic telephone services. In the initial enthusiasm of opening up of the telecommunications sector, the private operators, in their bids, offered much higher amounts of licence fees than they could eventually muster. As a result, by May 1999, they had accumulated arrears totalling Rs 3,779.45 crore payable to the Government. The New Telecom Policy 1999 (NTP-99) allowed the private operators to migrate from the fixed licence fee regime to a revenue-sharing regime. Other provisions of NTP-99 included the permitting of interconnectivity and sharing of infrastructure among various service providers within the same areas of operations; separation of the policy and licensing functions of DoT from the service provision function; opening of National Long Distance (NLD) and International Long Distance (ILD) services to competition and carrying of both voice and data traffic by service providers.

As of 31 March 2002, unrestricted entry was allowed in basic services on a revenue-sharing basis. All telecom services were also opened up for private sector participation; national and international data connectivity were opened to all and internet services were also opened up without any restriction on the number of entrants and without any entry fee.

A National Frequency Allocation Plan (NFAP-2002) was evolved in line with the Radio Regulations of the International Telecom Union (ITU) for catering to the conflicting demands on the spectrum.

## 6. Other Government organisations in the Telecom Sector

Besides MTNL and BSNL, other public sector undertakings in the telecom sector are ITI Limited (ITI), Telecommunications Consultants India Limited (TCIL), Intelligent Communication Systems India Limited (ICSIL) and Millennium Telecom Limited (MTL). ITI Limited was formed in 1948 for manufacturing a wide range of equipment, which included electronic switching equipment, transmission equipment and telephone instruments of various types. TCIL was established in 1978 for providing know-how in all fields of telecommunications at the global level. The core competence of TCIL is in communications network projects, software support, switching and transmission systems, cellular services, rural telecommunications and optical fibre based backbone network. ICSIL was established in April 1987 for manufacturing computer based communication systems and equipment. It also provides engineering, technical and management consultancy services for computers and communication systems in India and abroad. MTL was established in February 2000 as a wholly owned subsidiary of MTNL for providing internet services in the country. It is pursuing the establishment of broadband internet access for the corporate segment and Voice Over Internet Protocol (VOIP) telephony services throughout India with the use of relevant technologies like Very Small Aperture Terminals (VSATs).

## 7. Financial performance of PSUs in the Telecom Sector

Some of the important financial performance indicators of the telecom PSUs for the year ended 31 March 2006 were as follows:

**(Rs in crore)**

| PSU | Investment in shares by Government | | | Govt. Loans | Total income earned | Dividend paid on Govt. investment | Capital employed | Profit before tax (PBT) | Percentage of PBT to capital employed |
|---|---|---|---|---|---|---|---|---|---|
| | Equity shares | Preference shares | Total | | | | | | |
| | (Rupees in crore) | | | | | | | | % |
| BSNL | 5000.00 | 7500 | 12500.00 | 6220 | 40176.58 | 1175.00 | 83023.00 | 8446.98 | 10.17 |
| MTNL | 354.37 | --- | 354.37 | --- | 6091.00 | 141.75 | 10440.63 | 671.36 | 6.43 |
| ITI | 267.47 | --- | 267.47 | 100 | 1771.46 | --- | 3763.73 | (427.55) | (11.36) |
| TCIL | 28.80 | --- | 28.80 | --- | 483.49 | --- | 325.89 | 17.40 | 5.32 |
| ICSIL | --- | --- | --- | --- | 32.77 | --- | 1.00 | 0.05 | 5.00 |
| MTL | ---* | --- | --- | --- | 0.24 | --- | 5.24 | 0.07 | 1.34 |
| *Total* | *5650.64* | *7500* | *13150.64* | *6320* | *48555.54* | *1316.75* | *97559.49* | *8708.31* | *8.93* |

* Rs 2.88 crore of equity share capital of MTL was fully subscribed by MTNL.

As may be seen from the above table, on capital investment of Rs 13,150.64 crore in these six telecom PSUs, the Government received dividend of Rs 1,316.75 crore, which worked out to 10.01 *per cent*. The total income and the profit before tax earned by the six telecom PSUs during the year were Rs 48,555.54 crore and Rs 8,708.31 crore respectively. On the total capital employed of Rs 97,559.49 crore in the above PSUs, the overall percentage of profit before tax worked out to 8.93 *per cent*.

# OVERVIEW

This Audit Report for the year 2005-06 containing 49 paragraphs is presented in six chapters:

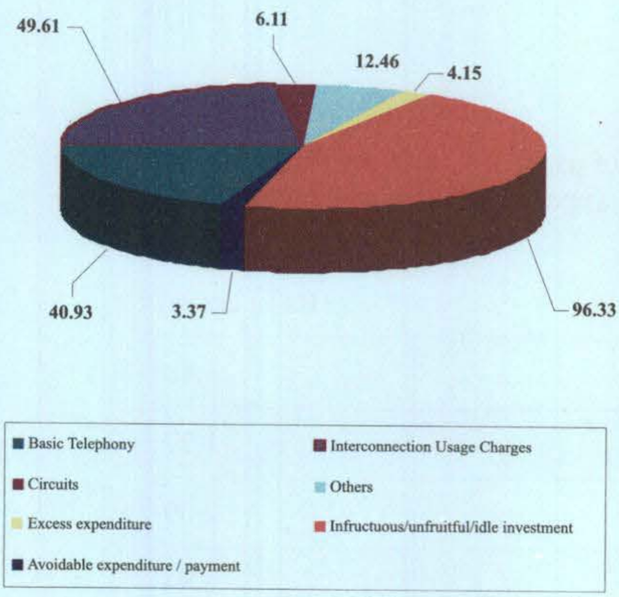
| | |
|---|---|
| Chapters I to III | Bharat Sanchar Nigam Limited |
| Chapters IV | Mahanagar Telephone Nigam Limited |
| Chapters V | ITI Limited |
| Chapter VI | Follow up on Audit Report |

## Audit Methodology and Financial implications

The findings set out in this Report are among those which came to notice during the course of audit based on test check of the records of the Companies mainly during 2005-06 as well as the earlier part of 2006-07. The total quantifiable financial implication of the paragraphs included in this Report is Rs 247.26 crore. The Company-wise details with reference to the nature of irregularities are given as under:

### (i) Bharat Sanchar Nigam Limited

The financial implication in respect of the paragraphs relating to Bharat Sanchar Nigam Limited (BSNL), which could be quantified, is Rs 212.96 crore as per details given below:

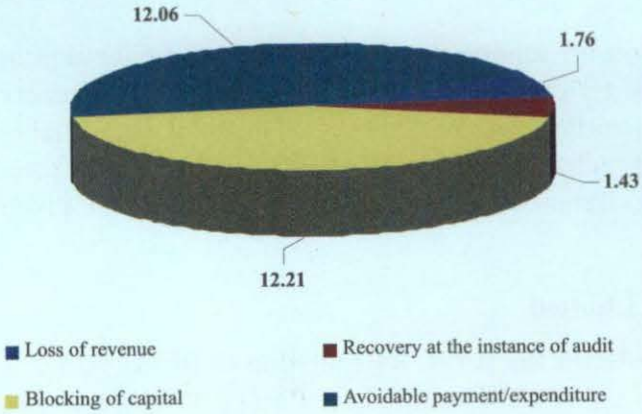



(Rs in crore)

| Revenue paragraphs | |
|---|---|
| Basic Telephony | 40.93 |
| Interconnection Usage Charges | 49.61 |
| Circuits | 6.11 |
| Others | 12.46 |
| **Expenditure paragraphs** | |
| Excess expenditure | 4.15 |
| Infructuous/idle investment | 96.33 |
| Avoidable expenditure | 3.37 |
| **Total** | **212.96** |

### (ii) Mahanagar Telephone Nigam Limited

The financial implication in respect of paragraphs relating to Mahanagar Telephone Nigam Limited (MTNL), which could be quantified, is Rs 27.46 crore as per details given below:




**(Rs in crore)**

| | |
|---|---|
| **Revenue paragraphs** | |
| Loss of revenue | 1.76 |
| Recovery at the instance of audit | 1.43 |
| **Expenditure paragraphs** | |
| Blocking of capital | 12.21 |
| Avoidable expenditure | 12.06 |
| **Total** | **27.46** |

### (iii) ITI Limited

The financial implication in respect of paragraphs relating to ITI Limited, which could be quantified, is Rs 6.84 crore as per details given below:

**(Rs in crore)**

| | |
|---|---|
| Avoidable expenditure | 3.48 |
| Blocking of capital | 1.27 |
| Loss | 2.09 |
| **Total** | **6.84** |

**Highlights of individual chapters of each Company are presented below:**

## BHARAT SANCHAR NIGAM LIMITED

### Chapter I

### Introduction, organizational setup, investment and returns, physical and financial performance, revenue arrears, manpower and productivity

Bharat Sanchar Nigam Limited (BSNL) was incorporated on 15 September 2000 as a wholly owned Central Government Company under the Companies Act, 1956. The business of providing telecommunication services in the country, entrusted to the Department of Telecom Services (DTS) and the Department of Telecom Operations (DTO), was transferred to the newly formed company, BSNL, with effect from 1 October 2000. Other aspects highlighted in Chapter 1 are as under:

- The operations of BSNL are managed with the help of 24 telecom circles and two telecom districts excluding the project and maintenance circles. In addition, seven telecom factories are also managed by BSNL.
- As on 31 March 2006, the paid-up equity share capital and preference share capital were Rs 5,000 crore and Rs 7,500 crore respectively. In addition, there was a loan of Rs 5,500 crore from Government of India. During the year 2005-06, the Company provided Rs 1,063.33 crore towards interest on the outstanding loan.
- At the end of March 2006, BSNL had a network of 37,382 telephone exchanges with an equipped capacity of 513.93 lakh lines. Out of this equipped capacity, 379.95 lakh telephone connections (74 *per cent*) were given, though the number of persons on the waiting list was 13.32 lakh. The number of village public telephones increased from 5.19 lakh as on 31 March 2005 to 5.35 lakh as on 31 March 2006.
- For the year ended 31 March 2006, BSNL earned Rs 36,138.94 crore from its services. The net profit stood at Rs 8,939.69 crore.
- For the bills issued up to March 2006, an amount of Rs 2,658.81 crore (as of 1 July 2006) was outstanding for one year or more, which constituted 77.48 *per cent* of the total outstanding revenue of Rs 3,431.47 crore.
- The number of employees per thousand telephone connections including WLL decreased from 10.59 in 2001-02 to 5.84 in 2005-06.

***(Paragraph 1)***

## Chapter II

## Revenue paragraphs relating to BSNL based on transaction audit findings

This chapter on revenue paragraphs is based on the results of transaction audit, contains cases of loss/non-recovery/short billing of Rs 111.57 crore relating to basic telephony, interconnection usage charges and circuits. BSNL has realised Rs 6.98 crore at the instance of Audit.

Some of the important cases highlighting the above aspects were as under:

### (A) Basic Telephony

**Short charging of rentals**

Six Secondary Switching Areas under the Andhra Pradesh, Uttar Pradesh (East) and Punjab telecom circles did not issue rental bills at higher rates commensurate with the enhanced capacities of exchanges resulted in short billing of Rs 30.03 crore.

***(Paragraph 2.1)***

**Continuation of telephone facilities despite non-payment of dues**

Twenty three Secondary Switching Areas under Bihar, Jharkhand, Karnataka, Rajasthan, Uttar Pradesh (East) and Uttar Pradesh (West) telecom circles did not disconnect telephone connections by the due dates in respect of subscribers and STD/PCO operators owing to non-payment of rentals for the period September 1996 to February 2006 resulted in non-recovery of revenue of Rs 9.28 crore.

***(Paragraph 2.2)***

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

Six Secondary Switching Areas under the Bihar, Gujarat and Rajasthan telecom circles could not raise rental bills of Rs 1.11 crore for the period July 2001 to December 2006 due to non-receipt of completed advice notes in their Telephone Revenue Accounting branches.

***(Paragraph 2.3)***

### (B) Interconnection Usage Charges

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

In Eastern Telecom Region, Patna the Company failed to realize charges amounting to Rs 38.61 crore for the period May 2003 to September 2004 from

Reliance Infocom Limited for unauthorized routing of calls in violation of the interconnect agreement.

*(Paragraph 2.6)*

**Non-realization of interconnection usage charges and interest thereon**

Sixteen Secondary Switching Areas under five telecom circles as well as the Eastern Telecom Region, Bhubaneshwar did not realize interest of Rs 2.46 crore for delayed payment of the access charges/interconnection usage charges relating to the period March 2002 to January 2006 from 11 private telecom service operators. Further, four Secondary Switching Areas under two telecom circles also failed to realize the interconnect usage charges of Rs 63.01 lakh for the period October 2003 to August 2005 from five private telecom service operators.

*(Paragraph 2.7)*

**Non-billing of infrastructure charges for passive links**

Fourteen Secondary Switching Areas under Andhra Pradesh, Gujarat, Maharashtra, Punjab and Tamil Nadu telecom circles did not levy charges for infrastructural facilities in respect of passive links provided to private telecom service providers for the period March 2001 to December 2006. This resulted in non-billing of Rs 2.60 crore.

*(Paragraph 2.8)*

**Non-billing of interconnect licence fees**

Six Secondary Switching Areas under Andhra Pradesh Telecom Circle did not collect interconnect licence fees from e-Seva, Andhra Pradesh for the period June 2004 to November 2006. This resulted in non-billing of Rs 1.35 crore.

*(Paragraph 2.9)*

**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 non/short billing of port charges of Rs 1.05 crore.

*(Paragraph 2.10)*

## (C) Circuits

**Non-billing of rentals of leased circuits**

Failure of 10 Secondary Switching Areas under Chhattisgarh, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Uttaranchal and Uttar Pradesh (West) telecom circles to raise bills for leased circuits for the period February 1980 to February 2007 resulted in non-billing of Rs 2.43 crore.

***(Paragraph 2.15)***

**Short billing of rentals as per resources utilized**

Failure of Hyderabad and Gurgaon Secondary Switching Areas under Andhra Pradesh and Haryana telecom circles to charge rentals for the period December 2002 to March 2006 in respect of local leased circuits within Short Distance Charging Areas as per the resources utilized, resulted in short billing of Rs 1.28 crore.

***(Paragraph 2.16)***

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

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

***(Paragraph 2.17)***

## Chapter III

## Expenditure paragraphs relating to BSNL based on transaction audit findings

This chapter on expenditure paragraphs is based on the results of transaction audit brings out excess expenditure, Infructuous/idle investment and avoidable expenditure aggregating Rs 103.85 crore. Replies of the Ministry are still awaited.

Some of the important cases highlighting the above aspects were as under:

### (A) Excess expenditure

**Excess payment of rent on international internet bandwidth**

Chennai Telephones continued to pay rent at higher rates ranging from Rs 3.46 crore to Rs 7.90 crore although Telecom Regulatory Authority of India had fixed the ceiling on lease rent for the STM-1 bandwidth at Rs 2.99 crore per annum with effect from 29 November 2005. This resulted in excess payment of rent of Rs 2.53 crore for the period November 2005 to March 2006 for two STM-1 bandwidths hired from Videsh Sanchar Nigam Limited and one STM-1 bandwidth hired from Bharti Infotech Limited.

***(Paragraph 3.1)***

**Excess payment of electricity charges**

Eleven SSAs in the Rajasthan Telecom Circle continued to pay electricity charges at the old rates instead of the lower new rates under the mixed load category. This resulted in excess payment of Rs 1.62 crore during the period January 2005 to February 2006.

***(Paragraph 3.2)***

## (B) Infructuous /idle investment

**Idling of stock due to injudicious procurement**

Karnataka, Kerala, Orissa Punjab, West Bengal Telecom Circles and the Calcutta Telecom District failed to consider the changing technologies such as introduction of Global System for Mobile Communication (GSM), Wireless in Local Loop (WLL) and shift towards poleless cable networks before procurement of telecom stores. Besides, the circles also did not exercise proper discipline in their procurement and did not consider the past consumption pattern before procurement. This resulted in injudicious procurement and consequent idling of stores of Rs 74.82 crore.

***(Paragraph 3.3)***

**Idling of telephone exchange buildings**

Thirteen telephone exchange buildings were constructed in seven Secondary Switching Areas under the Bihar, Karnataka, Rajasthan and Tamil Nadu Telecom Circles between January 2001 and July 2004 at a total cost of Rs 6.07 crore. Inadequacy of project monitoring mechanism and failure in synchronisation of various activities for commissioning of exchanges at the Circle and SSA levels in these circles led to non-utilisation of newly constructed telephone exchange buildings even after two to four years of their construction. This resulted in idling of exchange buildings and blocking of funds of Rs 6.07 crore.

***(Paragraph 3.4)***

**Unfruitful expenditure on primary cables**

The Bhopal Secondary Switching Area under the Madhya Pradesh Telecom Circle laid primary cables far in excess of the actual requirement, resulting in unfruitful expenditure of Rs 5.63 crore.

***(Paragraph 3.5)***

**Injudicious expansion/commissioning of exchanges**

General Manager, Telecom District, Ranchi, under the Jharkhand Circle sanctioned six project estimates between February 1999 and January 2003 for expansion of six exchanges. All the six exchanges remained underutilized even after one to three years due to higher projection of growth of subscribers and failure to consider the exchange capacity utilisation before expansion. This resulted in unproductive expenditure of Rs 3.61 crore on expansion of exchanges. Further a 2k exchange was newly commissioned (March 2004) at Devi Mandap road, Ranchi which provided only 228 connections. This resulted in unproductive expenditure of Rs 1.22 crore on commissioning of the new exchange.

***(Paragraph 3.6)***

# MAHANAGAR TELEPHONE NIGAM LIMITED

## Chapter IV

## Revenue and expenditure paragraphs relating to MTNL based on transaction audit findings

This chapter contains revenue and expenditure paragraphs based on the results of transaction audit, bringing out loss of revenue of Rs 1.76 crore and blocking/avoidable expenditure of Rs 27.94 crore.

Some of the important cases highlighting the above aspects were as under:

### (A) Revenue

**Loss of revenue due to delay in disconnections for non-payment**

Telecom Revenue Accounting wings of four exchanges of Mumbai unit of MTNL failed to issue disconnection orders in time and also delayed in disconnecting Wireless-in-Local Loop telephone connections for non-payment of rentals in respect of 717 subscribers for the period from October 2004 to October 2005. This resulted in loss of revenue of Rs 1.16 crore.

***(Paragraph 4.1)***

### (B) Expenditure

**Blocking of capital**

MTNL, Delhi could not get possession of land for a telephone exchange because of delayed payment of Rs 10.62 crore (November 2002) towards cost of land and non-payment of ground rent of Rs 26.56 lakh. Besides, DDA demanded interest of Rs 1.59 crore owing to the delayed payment.

***(Paragraph 4.4)***

**Excess payment of electricity charges**

MTNL Delhi made payments of electricity charges at higher rates applicable to non-domestic, mixed load category instead of lower rates of industrial category in

West I, Central and Trans Yamuna areas of MTNL, Delhi. This resulted in excess payment of electricity charges to the tune of Rs 3.62 crore.

***(Paragraph 4.5)***

**Failure to recover compensation for damage to underground cables**

MTNL Delhi failed to prefer compensation claims costing Rs 3.43 crore during 2001-06 for damage to underground cables from outside agencies. In respect of damages of Rs 1.14 crore, the Company could not locate the agencies that had damaged the underground cables. In the remaining cases involving Rs 2.29 crore, although the agencies were known, the Company did not lodge any claims. Thus failure of the Company to prefer compensation claims on the parties concerned even after lapse of one to four years resulted in non-realization of compensation claims of Rs 3.43 crore.

***(Paragraph 4.6)***

## Chapter V

## Expenditure paragraphs relating to ITI based on transaction audit findings

This chapter, containing expenditure paragraphs is based on the results of transaction audit and brings out loss/avoidable expenditure/blocking of capital of Rs 6.84 crore.

Some of the important cases were as under:

**Avoidable loss due to delay in supply**

The Company incurred a cash loss (material price minus cost of sale) of Rs 1.25 crore in the purchase order of February 2004 due to non-supply of equipment within the prescribed period (August 2004) and subsequent revision of price by the purchaser. Further, due to delayed supplies the Company made a provision of Rs 1.24 crore for liquidated damages in the books, out of which Rs 39.40 lakh had been recovered by BSNL from the bills released till December 2006.

***(Paragraph 5.1)***

**Loss due to delay in inspection and supply**

The Company failed to provide required facilities to the purchaser for testing of Wireless-in-Local Loop Subscriber Terminals along with antennae, feeder cables and other accessories, as agreed in the purchase order. This resulted in delay in inspection, supply and consequent levy of liquidated damages amounting to Rs 1.16 crore.

***(Paragraph 5.2)***

# BHARAT SANCHAR NIGAM LIMITED

## CHAPTER I
## ORGANISATIONAL SETUP AND FINANCIAL MANAGEMENT

### 1.1 Introduction

In pursuance of the New Telecom Policy 1999, the Government of India decided to corporatise the service provision functions of the Department of Telecommunications (DoT). Accordingly, Bharat Sanchar Nigam Limited (Company) was incorporated on 15 September 2000 as a wholly owned Central Government Company under the Companies Act, 1956, with its registered and corporate office located in New Delhi. The business of providing telecommunication services in the country, entrusted to the Department of Telecom Services (DTS) and the Department of Telecom Operations (DTO), was transferred to the newly formed Company, with effect from 1 October 2000. However, the functions of policy formulation, licensing, wireless spectrum management, administrative control of Public Sector Undertakings (PSUs), standardisation and validation of equipment and research and development (R&D) were retained by the Government under the responsibility of the Department of Telecommunications (DoT) and the Telecom Commission.

The Company is carrying out the duties and responsibilities relating to establishment, maintenance and working of all types of telecommunication services in the country in accordance with and under the terms and conditions of the licence granted by the Central Government under the Indian Telegraph Act, 1885 and other directions being given by the Central Government from time to time.

### 1.2 Organisational setup

The administrative and overall functional control is vested in the Board of Directors headed by the Chairman and Managing Director, who is assisted by five functional Directors (Finance, Commercial and Marketing, Operations, Human Resource Development and Planning and New Services).

The operations of the Company are managed by 24 telecom circles and two telecom districts (Chennai and Kolkata) excluding the project and maintenance circles. In addition, seven telecom factories at Alipore and Gopalpur in Kolkata, Bhilai, Kharagpur, Mumbai, Richhai and Wright Town in Jabalpur are also managed by the Company. These factories manufacture various types of ancillary equipment such as microwave towers, modems, sockets, pay phones, cable termination boxes, etc.

## 1.3 Investment and Returns

Against the authorised equity share capital of Rs 10,000 crore and preference share capital of Rs 7,500 crore, the paid-up equity share capital and preference share capital as on 31 March 2006 were Rs 5,000 crore and Rs 7,500 crore respectively.

In consideration of taking over the business of the erstwhile DTO and DTS with effect from 1 October 2000 along with all the assets, liabilities and other contractual obligations, the Company's total paid-up equity capital of Rs 5,000 crore and preference share capital of Rs 7,500 crore were treated as investment by the Government of India. In addition, another amount of Rs 7,500 crore had been treated as loan to the Company from the Government. The Government did not receive any interest or repayment of the principal amount on the loan of Rs 7,500 crore, as the Company had a moratorium on repayment of principal and interest thereon up to 31 March 2005. As of 31 March 2006, the principal amount of the loan was Rs 5,500 crore as the Company repaid Rs 2,000 crore during the year 2005-06. Further, as at the end of 31 March 2006, a sum of Rs 1,063.33 crore was provided in the annual accounts of the Company towards interest [@ 14.5 *per cent* as fixed by DoT] on the outstanding loan.

The Company was exempted from payment of dividend on preference share capital up to 31 March 2004. The Company was also exempted from payment of dividend on equity share capital up to 31 March 2002 and enjoyed 50 *per cent* and 25 *per cent* waiver on dividend due on equity share capital for the years 2002-03 and 2003-04, respectively. However, for the year ending 31 March 2005 and 2006, the Company proposed a dividend of Rs 975 crore and Rs 800 crore, respectively.

DoT, while approving a package of measures in the form of financial relief for the Company, decided (June 2002) that the Company would be liable to pay licence fees and spectrum charges in full and would also be allowed reimbursement of losses incurred by it on rural telephony operations and other socially desirable projects. The amount of reimbursement was to be decided annually by DoT in consultation with the Ministry of Finance. During the year ending 31 March 2006, the reimbursement of the licence fee was restricted to 1/3rd of licence fee excluding Universal Service Fund (USF) levy and an amount of Rs 582.96 crore was reimbursed to the Company by the Government on this account.

The Company also received Rs 1,117.07 crore and Rs 1,765.75 crore for the years ended 31 March 2005 and 2006 respectively from the USF towards reimbursement for maintenance of Village Public Telephones (VPTs).

## 1.4 Physical and Financial Performance

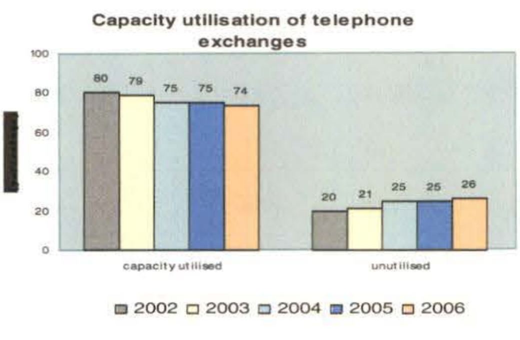
### 1.4.1 Physical performance

The physical performance of the Company as at the end of each of the last five years ending 31 March 2006 is given below:

| Telephone Network | As on 31 March 2002 | As on 31 March 2003 | As on 31 March 2004 | As on 31 March 2005 | As on 31 March 2006 |
|---|---|---|---|---|---|
| ❖ No. of telephone exchanges | 34592 | 36136 | 36618 | 37040 | 37382 |
| ❖ Total equipped capacity of direct exchange lines (DELs) including WLL (in lakh) | 415.90 | 457.35 | 485.60 | 498.20 | 513.93 |
| ❖ No. of telephone connections (DELs) including WLL (in lakh) | 334.01 *(80%) | 359.33 (79%) | 363.94 (75%) | 374.88 (75%) | 379.95 (74%) |
| ❖ No. of persons on the waiting list (in lakh) | 16.49 | 18.07 | 18.14 | 17.16 | 13.32 |
| ❖ No. of cellular mobile telephone connections (in lakh) | 1.78 | 22.56 | 52.54 | 94.47 | 171.64 |
| ❖ No. of village public telephones (in lakh) | 4.68 | 5.05 | 5.10 | 5.19 | 5.35 |
| ❖ No. of stations linked with STD | 29673 | 36027 | 36646 | 37035 | All cities |

*Figures in brackets indicate percentage of capacity utilisation

- As seen from the table, in spite of increase in the equipped capacity of direct exchange lines (DELs), the overall capacity utilisation of telephone exchanges went down from 80 *per cent* in 2001-02 to 74 *per cent* in 2005-06.




- Despite the availability of equipped capacity, persons were still on the waiting list during each of the years 2001-02 to 2005-06; the reasons for which were the presence of large 'technically not feasible' (TNF) areas, enhancement in equipped capacity towards the year-end leading to release of connections in subsequent years, etc.

- The number of cellular mobile telephone connections increased from 22.56 lakh in 2002-03 to 171.64 lakh in 2005-06.
- The number of village public telephones increased from 4.68 lakh in 2001-02 to 5.35 lakh in 2005-06.

### 1.4.2 Financial performance

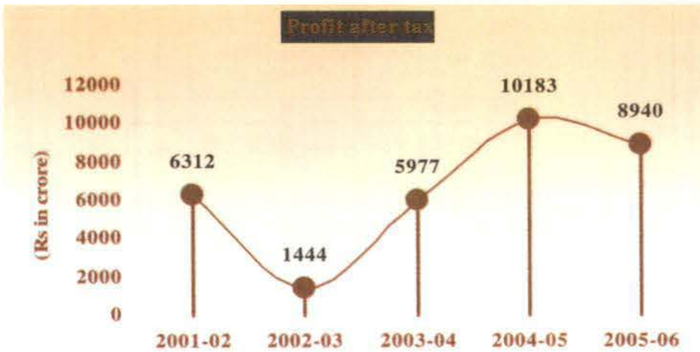
The financial results of the Company for the last five years ending 31 March 2006 were as follows:

**(Rs in crore)**

| Particulars | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|---|---|
| Income from services | 24297.21 | 25293.15 | 31399.34 | 33450.04 | 36138.94 |
| Other income | 384.49 | 599.45 | 2519.25 | 2640.05 | 4037.64 |
| Expenditure (excluding interest and prior period adjustments) | 19993.49 | 24714.42 | 27075.29 | 29372.24 | 30817.26 |
| Interest | 468.21 | 364.55 | 88.24 | 29.29 | 1089.80 |
| Profit before tax and prior period adjustments | 4219.99 | 813.63 | 6755.07 | 6688.56 | 8269.52 |
| Prior period adjustments | 332.19 | (455.72) | (58.90) | (534.38) | (405.50) |
| Profit before tax & extraordinary items of income | 4552.18 | 357.91 | 6696.17 | 6154.18 | 7864.02 |
| Extraordinary items of income (reimbursement by Govt. of losses incurred on rural telephony operations) | 2300.00 | 2300.00 | 2300.00 | 1765.90 | 582.96 |
| Profit before tax | 6852.18 | 2657.91 | 8996.17 | 7920.08 | 8446.98 |
| Tax provision | 540.01 | 1213.46 | 3019.64 | (2263.21)* | (492.71)* |
| Profit after tax | 6312.17 | 1444.45 | 5976.53 | 10183.29 | 8939.69 |
| Dividend | ♣ | 250.00 | 318.01 | 1337.88 | 1339.79 |

* Figures in brackets denote excess tax provisions written back during these years

♣ BSNL was exempted from payment of dividend on equity share capital up to 31 March 2002 and on preference share capital up to 31 March 2004.



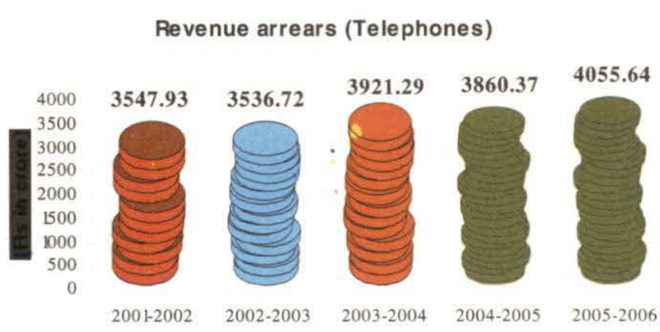

It may be seen that there was a decrease in profit after tax for the year ending 31 March 2006 compared to the previous year's profit, mainly on account of increase in expenditure and payment of interest.

## 1.5 Revenue Arrears

**1.5.1** The position of demand raised, amount collected and arrears for telephone services (excluding revenue details of value added services like cellular mobile services, private basic service operators, etc.) for the five years ending March 2006 is given in the table below:

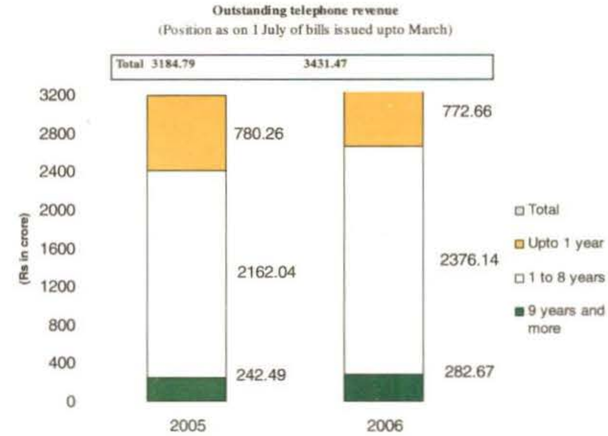
**(Rs in crore)**

| Year | Arrears as on 1 April | Demand raised during the year | Total Demand (2+3) | Amount collected during the year | Arrears at the close of 31 March (4-5) |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 2001-2002 | 2882.03 | 21966.29 | 24848.32 | 21300.39 | 3547.93 |
| 2002-2003 | 3547.93 | 22102.30 | 25650.23 | 22113.51 | 3536.72 |
| 2003-2004 | 3536.72 | 23995.97 | 27532.69 | 23611.40 | 3921.29 |
| 2004-2005 | 3921.29 | 22794.08 | 26715.37 | 22855.00 | 3860.37 |
| 2005-2006 | 3860.37 | 21526.72 | 25387.09 | 21331.45 | 4055.64 |




At the end of March 2006, the revenue arrears on account of telephone services increased to Rs 4,055.64 crore as compared to Rs 3,547.93 crore at the end of March 2002. In fact, the arrears over the five years 2001-2006 increased by 14.31 *per cent*, but demand raised had decreased by two *per cent*. The amount collected also declined from Rs 23,611.40 crore to Rs 21,331.45 crore during the year 2003-04 to 2005-06.

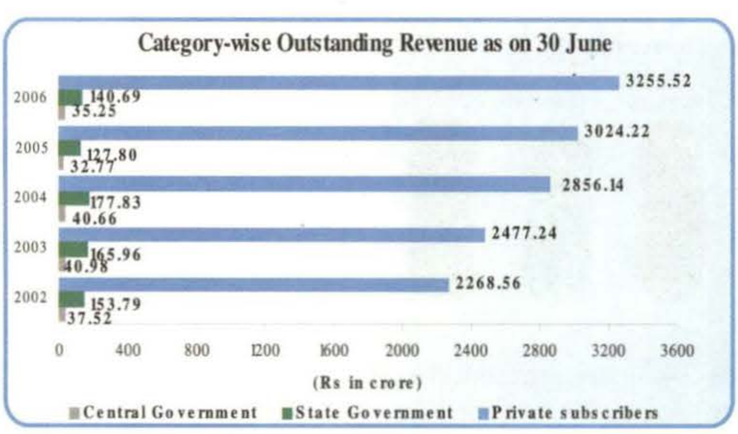
**1.5.2** The arrears of telephone revenue of Rs 4055.64 crore came down to Rs 3,431.47 crore at the end of June 2006 for bills issued up to March 2006. Age-wise break up of the amount outstanding on 1 July 2006 as compared to the previous year is given in the adjacent chart. An amount of Rs 2,658.81 crore (as of 1 July 2006) was outstanding for one year or more and constituted 77.48 *per cent* of the total outstanding revenue.




## 1.5.3 Category-wise break up of total telephone dues between June 2001 and June 2006 was as under:

(Rs in crore)

| Year | Central Government | | State Governments | | Private subscribers | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of total outstanding | Amount | Percentage of total outstanding | Amount | Percentage of total outstanding |
| 2001-2002 | 37.52 | 1.52 | 153.79 | 6.25 | 2268.56 | 92.23 |
| 2002-2003 | 40.98 | 1.53 | 165.96 | 6.18 | 2477.24 | 92.29 |
| 2003-2004 | 40.66 | 1.32 | 177.83 | 5.78 | 2856.14 | 92.89 |
| 2004-2005 | 32.77 | 1.03 | 127.80 | 4.01 | 3024.22 | 94.96 |
| 2005-2006 | 35.25 | 1.03 | 140.69 | 4.10 | 3255.52 | 94.87 |




An amount of Rs 3,431.47 crore was outstanding against various categories of telephone subscribers at the end of June 2006. Out of the total outstanding amount, 94.87 *per cent* was outstanding against private subscribers, 1.03 *per cent* against Central Government departments and 4.10 *per cent* against various State Governments. The amount as well as the proportion of outstanding bills against private subscribers was persistently increasing every year and in July 2005 to June 2006 alone, the outstanding amount against this category increased by Rs 231.30 crore.

### 1.5.4 Arrears of rent on telegraph, teleprinter and telephone circuits and telex/intelex charges

The position of arrears of revenue on renting of telegraph, teleprinter and telephone circuits and telex/intelex connections to various categories of subscribers is indicated below:

**Telephones, telegraph, telex/intelex etc.**

(Rs in crore)

| Year | Arrears as on 1 April | Demand raised during the year | Total demand (2+3) | Amount collected during the year | Arrears as on 31 March (4-5) |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Circuits (telephones and telegraph)** | | | | | |
| 2002-2003 | 203.07 | 514.48 | 717.55 | 428.41 | 289.14 |
| 2003-2004 | 289.14 | 583.28 | 872.42 | 502.43 | 369.99 |
| 2004-2005 | 369.99 | 567.76 | 937.75 | 538.30 | 399.45 |
| 2005-2006 | 399.45 | 464.60 | 864.05 | 474.07 | 389.98 |
| **Telex/intelex charges** | | | | | |
| 2002-2003 | 13.77 | 7.04 | 20.81 | 8.10 | 12.71 |
| 2003-2004 | 12.71 | 4.02 | 16.73 | 4.32 | 12.41 |
| 2004-2005 | 12.41 | 0.59 | 13.00 | 1.46 | 11.54 |
| 2005-2006 | 11.54 | (-)1.41 | 10.13 | 0.42 | 9.71 |

The revenue arrears for collection in respect of circuits had gone up from Rs 289.14 crore in 2002-03 to Rs 389.98 crore in 2005-06, while those in respect of telex/intelex charges reduced marginally from Rs 12.71 crore to Rs 9.71 crore during the same period. Thus the total outstanding revenue on account of circuits/telex/intelex worked out to Rs 399.69 crore, which was subsequently reduced to Rs 365.95 crore as on 1 July 2006 as shown in paragraph 1.5.5.

**1.5.5** The arrears of outstanding dues in respect of circuits and telex/intelex charges increased to Rs 365.95 crore at the end of June 2006 for bills issued up to March 2006. Break up of the outstanding dues as on 1 July 2006 is given below:-

(Rs in crore)

| Period | Rent for circuits | Telex/intelex charges | Total |
|---|---|---|---|
| Upto 1996-97 | 52.50 | 3.67 | 56.17 |
| 1997-98 to 2004-05 | 202.94 | 5.65 | 208.59 |
| 2005-06 | 101.16 | 0.03 | 101.19 |
| **Total** | **356.60** | **9.35** | **365.95** |

**1.5.6** Total arrears of revenue of over Rs 3,797.42 crore (telephone: Rs 3,431.47 crore and circuits/telex/intelex : Rs 365.95 crore) at the end of June 2006 in respect of telephone, telegraph, teleprinter services, etc, would have a serious adverse impact on the financial health of BSNL.

## 1.6 Manpower

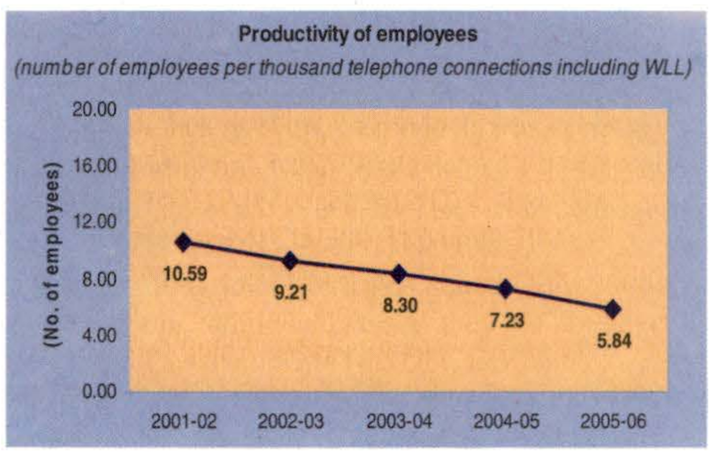
The total manpower of the Company at the end of each of the last five years ending 31 March 2006 is given below:

| Year | Group A | Group B | Group C | Group D | Industrial workers | Total manpower | Daily Rated Mazdoors |
|---|---|---|---|---|---|---|---|
| 2001-02 | 7071 | 44662 | 236705 | 63997 | 3237 | **355672** | 5211 |
| 2002-03 | 7026 | 46797 | 231656 | 63189 | 3112 | **351780** | 4974 |
| 2003-04 | 7889 | 49158 | 238042 | 47090 | 3673 | **345822** | 3899 |
| 2004-05 | 6947 | 51242 | 230556 | 47525 | 3583 | **339853** | 3867 |
| 2005-06 | 7156 | 53293 | 210680 | 47315 | 3411 | **321855** | 3648 |

There was an overall decrease in the manpower during 2005-06 compared to the previous year except in the Group 'A' and Group 'B' categories, under which manpower increased by almost 3.01 *per cent* and four *per cent,* respectively.

## 1.7 Productivity

The productivity per thousand telephone connections (employees per thousand telephone connections) including WLL and cellular mobile telephone connections of the Company for the year 2001-02 was 10.59, which improved to 5.84 during 2005-06.



# 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 $35^{th}$ 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, Rajashthan, 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), Bhubaneshwar 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, Bhubaneshwar 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, Bhubaneshwar 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).

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♠ 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 35$^{th}$ 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.

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

♣ An $E_1R_2$ 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 Bangal 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.

# CHAPTER III
# MAJOR FINDINGS IN TRANSACTION AUDIT-EXPENDITURE

## (A) Excess expenditure

### 3.1 Excess payment of rent on international internet bandwidth

**Chief General Manager, Chennai Telephones paid rent to Videsh Sanchar Nigam Limited and Bharti Infotel, at higher rates for international internet bandwidth. This resulted in excess payment of rent of Rs 2.53 crore.**

Chief General Manager (CGM), Chennai Telephones hired the international internet bandwidth STM[*]-1 during 2005-06 from Videsh Sanchar Nigam Limited (VSNL) and Bharti Infotel Limited (BIL).

Audit scrutiny (March 2006) of the records of the Deputy General Manager (Broadband), Chennai Telephones revealed that although TRAI[°] had fixed the ceiling on lease rent for the STM-1 bandwidth at Rs 2.99 crore per annum with effect from 29 November 2005, Chennai Telephones had continued to pay rent at higher rates ranging from Rs 3.46 crore to Rs 7.90 crore. This resulted in excess payment of Rs 2.53 crore for the period November 2005 to March 2006 for two STM-1 bandwidths hired from VSNL and one STM-1 bandwidth hired from BIL.

On this being pointed out in Audit, the Chief General Manager, Chennai Telephones replied (August 2006) that the TRAI notification was in respect of International bandwidths for International Private Leased Line Circuits (IPLC) and not for IP[•] port international bandwidth. He further stated that no instructions were available on TRAI's website in regard to IP port international bandwidth.

The reply did not reflect the correct position as the international bandwidth service is provided through IPLC for internet service providers, IT-enabled services, Information Technology and international long distance operators. Hence TRAI's tariff order on international bandwidth provided through IPLC was applicable to IP port international bandwidth as well. Moreover, BSNL subsequently hired similar STM-1 IP port international bandwidth, from VSNL and BIL in December 2005 and January 2006 respectively at a rent of Rs 2.99 crore per annum i.e. at the ceiling fixed by TRAI with effect from November 2005 for IPLC.

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

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[*] Synchronised Time Module

[°] Telecom Regulatory Authority of India

[•] Internet protocol

### 3.2 Excess payment of electricity charges

**Eleven Secondary Switching Areas under the Rajasthan Telecom Circle paid electricity charges at higher rates, resulting in excess payment of Rs 1.62 crore during 2005-06.**

The Rajasthan Electricity Regulatory Commission directed (December 2004) the Vidyut Vitran Nigams (VVNs), viz., the Jaipur Vidyut Vitran Nigam Limited, the Ajmer Vidyut Vitran Nigam Limited and the Jodhpur Vidyut Vitran Nigam Limited, that telephone exchanges, including attached offices of the Rajasthan Telecom Circle, should be categorized under the mixed load category for application of electricity tariff from January 2005 onwards. As per these orders, BSNL had to pay Rs 3.75 per unit under the mixed load category instead of the non-domestic rate of Rs 4.90 per unit for its exchanges and attached offices with effect from January 2005. The Deputy General Manager (DGM), Operations, Rajasthan Telecom Circle accordingly informed (February 2005) all the heads of the Secondary Switching Areas (SSAs) under his jurisdiction regarding mixed load categorization of telephone exchanges and attached offices for taking necessary action.

Audit scrutiny (September 2005- January 2006) of the records of 11 SSAs in the Rajasthan Telecom Circle revealed that the SSAs continued to pay electricity charges at the old rate instead of the lower new rate under the mixed load category. This resulted in excess payment of Rs 1.62 crore during the period January 2005 to February 2006, as detailed in Appendix-XVI.

On this being pointed out in Audit, the DGM (Finance and Accounts), Rajasthan Telecom Circle accepted the facts and stated (May 2006) that the excess payments were due to late implementation of actual change in tariff by the VVNs. He further stated that the process of adjusting the excess payments had been taken up in a phased manner and would be completed by December 2006. The recovery particulars were, however, awaited as of May 2006.

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

## (B) Infructuous/unfruitful expenditure/Idle investment

### 3.3 Idling of stock due to injudicious procurement

**The Karnataka, Kerala, Orissa, Punjab, West Bengal Telecom Circles and the Calcutta Telecom District did not consider the technological changes and the consumption pattern of the stores before procurement. This resulted in injudicious procurement and consequent idling of stores of Rs 74.82 crore.**

Guidelines on procurement of items issued by the Company in June 2001 stipulate that Telecom circles should ensure proper and expeditious utilization of the material ordered by them and they should exercise utmost discipline in their procurement to ensure that there was no unnecessary piling up of inventory. These guidelines also stipulate that while assessing the requirement of telecom stores, the existing inventory, supply in the pipeline and past pattern of consumption should be taken into account.

Audit scrutiny of the records of the Kerala, Orissa, Punjab, West Bengal Telecom Circles and the Kolkata Telecom District between January 2005 and June 2006 revealed that the Circles did not consider the changing technologies such as introduction of Global System for Mobile Communication (GSM), Wireless in Local Loop (WLL), and the shift towards poleless cable networks before procurement of telecom stores. Besides, the circles failed to exercise proper discipline in their procurement and also did not consider the past consumption pattern before procurement resulting in idling of stores as brought out below.

**Karnataka Telecom circle**

The Circle placed (May 2002) a purchase order for procurement of Fibre Distribution Management System (FDMS) equipment at a cost of Rs 3.28 crore. FDMS consists of FDMS exchange racks and FDMS nodes for management of large number of optical fibre cables in access network at telephone exchange end and outdoor cable network.

Audit observed that out of the 20 FDMS exchange racks and 200 FDMS nodes received during July 2002 to January 2003, only seven FDMS exchange racks and 57 FDMS nodes could be utilized up to March 2006 and the remaining could not be used as optical fibre cables were not laid. This resulted in idling of 13 FDMS and 143 nodes worth Rs 1.54 crore for more than three years.

On this being pointed out in Audit, the Deputy General Manager (Material Management), Karnataka Circle stated (May 2005) that the FDMS exchange racks and the FDMS nodes could not be utilized due to the refusal of the local civic authorities to give permission to dig roads for laying of optical fibre cables.

The reply was not acceptable as the Company's rule provides that the cable work should be completed three months prior to the installation of the FDMS equipment. Further the Circle did not divert the FDMS to other needy Circles.

Thus due to improper planning by the Circle, the FDMS equipment procured during July 2002 to January 2003 could not be put to use till date (August 2006), resulting in blocking of funds of Rs 1.54 crore.

**Kerala Telecom circle**

In this Circle, six Secondary Switching Areas (SSAs) viz., Ernakulam, Kollam, Kottayam, Palakkad, Thiruvalla and Thiruvananthapuram and Circle Store Depot procured modular connectors, lead sleeves, self-supporting masts, socket B, A8, A4 tubes, patch panel antennae mostly meant for overhead telephone cable alignments and underground cable network for providing land line telephone connections. Audit noticed that the Circle had adequate stock of these items and in spite of it CGMT, Kerala Circle procured these stores during the period 2001-2003. Audit further noticed that no minimum or maximum holding limit for any of these stores was prescribed. As a result the stores could not be used even after three to four years of their procurement. Further, due to technological changes, i.e., shift from overhead alignments to poleless cable networks and from land line telephone connections to wireless technologies like Global System for Mobile communication the utilisation of the stores had become bleak.

On this being pointed out the SSAs stated (May 2006) that these were slow moving items and could not be used. The Assistant General Manager (MM), Thiruvananthapuram SSA accepted that no minimum or maximum stock holding limits were prescribed.

The failure of the Circle to consider the stock position and the technological changes before procurement resulted in idling of stores worth Rs 3.79 crore as detailed in Appendix-XVII.

**Orissa Telecom Circle**

The Orissa Circle procured 77,243 B type sockets at a total cost of Rs 3.17 crore between September 2000 and January 2001. The sockets are used in telecom posts meant for overhead alignments for providing telephone connections in rural areas.

Audit scrutiny of the records of six SSAs viz., Berhampur, Bhawanipatna, Bhubaneswar, Koraput, Rourkela and Sambalpur revealed that only 44,581 sockets could be utilized up to March 2006, leaving a balance of 32,662 sockets worth Rs 1.34 crore. Audit observed that in three SSAs, viz., Bhawanipatna, Koraput and Rourkela, the sockets were received from the Circle office without any requisition.

On this being pointed out in Audit (December 2005-June2006), the heads of Berhampur, Bhawanipatna, Koraput and Rourkela SSAs accepted (March-July 2006) the fact that these sockets could not be utilized as the supplies were received without indents from the Circle. The heads of Bhubaneswar, Rourkela and Sambalpur SSAs stated (February-June 2006) that the sockets purchased by the Circle office could not be utilized due to technological obsolescence.

Thus failure of the Circle to consider alternative technology such as wireless in local loop and consequent reduction in overhead alignments for provision of telephone connections and ascertain requirements of the concerned SSAs before allotment resulted in idling of B type sockets and wasteful expenditure of Rs 1.34 crore.

**Punjab Telecom Circle**

In this Circle eight SSAs viz., Amritsar, Ferozepore, Hoshiarpur, Jalandhar, Ludhiana, Patiala, Pathankot and Sangrur received 51,773 A-8 and 50,400 B-8 tubes for providing overhead alignments between January and August 2003 from Telecom Factories, Jabalpur and Richhai based on requisitions placed by it. The requisitions were based on the target of providing 2.45 lakh direct exchange lines (DELs) during 2002-03 in Punjab Telecom Circle. Audit noticed that only 1.20 lakh DELs were provided in the Punjab Telecom Circle during 2002-03, which was less than 50 *per cent* of the target, due to introduction of WLL, GSM and hence the tubes could not be used. Audit observed (March 2006) that in six out of eight SSAs, more than 40 *per cent* of the stock of A-8 and B-8 tubes were lying idle (December 2005) resulting in infructuous expenditure of Rs 3.08 crore on their procurement. The chances of their utilization were remote as there was a negative growth of DELs since 2003-04 and during 2005-06 alone 1.32 lakh DELs were surrendered in the Punjab Telecom Circle.

Similarly Circle Telecom Stores Depot, Mohali under the Punjab Telecom Circle had a stock of 3,883 C-8 tubes during 2000-01, out of which 2,553 tubes were issued during the year, leaving a balance of 1,330 as of March 2001. Audit noticed that purchase orders were placed in December 2001 for procurement of 5,731 C-8 tubes without considering the available stock, previous year's consumption pattern and the meager utilisation of 514 tubes till November 2001. This resulted in idling of all the 5,731 tubes as of March 2006 and wasteful expenditure of Rs 54.33 lakh on their procurement.

**West Bengal Telecom Circle**

The circle procured 1058 cable distribution (CD)cabinets and 617 IDC type of CD cabinets at a total cost of Rs 1.92 crore during 2001-06. Out of this only 627 cable distribution cabinets and 181 IDC type of CD cabinets were used till March 2006. The Circle failed to consider the changes in outdoor network management due to introduction of Remote Line Unit/Remote Switching Unit, which reduces the requirement of CD cabinets, before procurement of the same. This resulted in idling of Cabinets and wasteful expenditure of Rs 1.05 crore (Rs 51.24 lakh IDC + Rs 53.70 lakh CD) on its procurement.

Similarly the West Bengal Telecom Circle had a stock of 153 ESL cards[1] and 255 SSS cards as of November 2002 compatible with MAX-L type of telephone exchanges. Purchase orders were placed (December 2002) by the Circle for procurement of same type of cards without considering the Corporate Office instructions of July 2002, which stipulated replacement of MAX-L exchanges by MAX-XL. The Circle received 460 ESL and 730 SSS cards between January and April 2003. It was observed (May 2006) Audit that due to up-gradation of MAX-L to MAX-XL type of exchanges 185 ESL and 536 SSS cards worth Rs 1.13 crore compatible with MAX-L exchanges were rendered surplus as of March 2006.

On this being pointed out in Audit (May 2006) the Assistant General Manager (Strategic Planning), West Bengal Telecom Circle while accepting the facts stated

[1] Interface cards required to convert stand alone SBMs into MAX-L RSUs.

that the conversion cards of MAX-L type exchanges had became obsolete and action was being taken to divert the same to other Circles.

**Calcutta Telecom District**

The Calcutta Telecom District (CTD) did not take into account the consumption pattern of the PIJF• cables and the available stock while projecting the demand for under ground cable for the years 2004-05 and 2005-06. There were 7.72 LCKM* and 9.87 LCKM of stock of PIJF cable at the beginning of 2004-05 and 2005-06 respectively. Audit noticed (March 2006) that the average annual utilisation of PIJF cables in CTD was only 2.41 LCKM during the period 2002-06. Inspite of low annual utilisation of 2.41 LCKM and besides having an opening stock of more than 7 LCKM of PIJF cables during 2004-05 and 2005-06 sufficient for more than two years, the CTD procured 3.06 and 6.31 LCKM of PIJF cables during 2004-05 and 2005-06 respectively resulting in injudicious procurement and idling of 9.37 LCKM PIJF cables of Rs 62.35 crore.

On this being pointed out (March 2006), the General Manager (Planning), Calcutta Telephones, while accepting (August 2006) that the quantity of cables lying idle was on the higher side, stated that the allotment of cable was made by the Corporate Office and the Advance Purchase Orders were also issued by the BSNL headquarters. He further added that the assessment of requirement was based on the requirements projected by the various units of the CTD.

The reply was not convincing in view of the fact that the CGM should have scrutinised the requirements projected by the units needed to be ascertained properly before communicating the demand to the Corporate Office.

On the afore mentioned matters being pointed out (June/July 2006), the circles stated that due to changed technology like introduction of WLL, GSM, and poleless cable network the stores could not be used. The reply was not tenable as WLL and GSM were introduced in 2000 and 2001 respectively and hence the circles should have been aware of the decreasing requirement of landline related stores and PIJF cables. Further the Department of Telecommunications had decided (April 2000) to promote poleless network more than five years back, as it was economical. Hence procurement of stores for overhead alignments to provide telephone connections was not a prudent decision.

Thus failure of the Circles to consider the technological changes and the consumption pattern of the items to be procured resulted in injudicious procurement and consequent idling of stores worth Rs 74.82 crore.

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

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• Polythene Insulated Jelly filled cable

* Lakh conductor kilometers

## 3.4 Idling of telephone exchange buildings

**Failure of seven Secondary Switching Areas under the Bihar, Karnataka, Rajasthan and Tamil Nadu Telecom Circles to shift the telephone exchanges to newly constructed telephone exchange buildings, resulted in blocking of funds of Rs 6.07 crore.**

Thirteen telephone exchange buildings were constructed in seven Secondary Switching Areas (SSAs) under the Bihar, Karnataka, Rajasthan and Tamil Nadu Telecom Circles between January 2001 and July 2004 at a total cost of Rs 6.07 crore, as detailed in Appendix-XVIII.

Audit scrutiny (October 2005/January 2006) of the records of the SSAs revealed that the telephone exchange buildings were completed by 2004 but the SSAs did not utilise them defeating the purpose of their construction.

### Bihar Telecom Circle

The Chief General Manager Telecommunications (CGMT), Bihar Circle accorded (March 2000) administrative approval (AA) for construction of a telephone exchange building in Chapra. The building was to be constructed in the existing telephone exchange compound at Chapra to house a one k* line telephone exchange.

Audit scrutiny (January 2006) of the records of the General Manager Telecom District (GMTD), Chapra revealed that the Civil wing awarded the work of construction of the telephone exchange building in December 2000 with completion date as January 2002. Subsequently, a plot of land was purchased (April 2001) at a cost of Rs 90.64 lakh at Chapra. Audit noticed that after one year of according the AA, CGMT, Bihar Circle directed (July 2001) to change the site of construction from the telephone exchange compound to the newly purchased land at Chapra. The Civil wing completed the construction work in March 2004, after a delay of two years, but the building was handed over to GMTD, Chapra in August 2005, after a further delay of more than one year. Audit also found that the project estimate for installation of a 1k line exchange to be housed in the building was sanctioned as late as in June 2005 and the equipment had not been received till March 2006. This resulted in non-utilisation of the exchange building.

On this being pointed out in Audit, the Deputy General Manager, Chapra stated (March 2006) that the exchange could not be commissioned because the 1k exchange equipment had not been received from the circle office. The reply was not acceptable as the delay in sanction of the project estimate for the 1k OCB exchange led to delayed placement of requisition for the equipment and consequent non-receipt of the equipment from the Bihar Telecom Circle in time.

* one thousand

Thus improper planning and failure to get the equipment in time resulted in idle investment of Rs 1.83 crore on purchase of land and construction of the building thereon.

**Karnataka Telecom Circle**

The telephone exchanges at Maski in the Raichur Telecom District and Poorigali in the Mandya Telecom District were housed in rented buildings. In order to have their own buildings for these exchanges, the Telecom District Manager (TDM), Raichur and the GMTD, Mandya accorded approval for construction of telephone exchange buildings and staff quarters at Maski and Poorigali in November 2000 and June 2002 respectively. These buildings were constructed at a total cost of Rs 89.57 lakh. While the possession of the buildings at Maski was taken in September 2003, that of the buildings at Poorigali was taken in March 2004.

Audit scrutiny (October and December 2005) of the records of TDM, Raichur and GMTD, Mandya revealed that the buildings could not be utilized till May 2006 due to non-availability of power supply from the local electricity authorities. TDM, Raichur had applied for electrical connections for the buildings at Maski only in November 2005 although the buildings were completed in September 2003. In Poorigali, while the buildings were completed in January 2004, GMT, Mandya applied for electrical connections only in February 2005.

On this being pointed out (December 2005), TDM, Raichur replied (July 2006) that the exchange at Maski was shifted in July 2006. As regards the telephone exchange at Poorigali GMTD, Mandya replied (May 2006) that electric supply to the exchange had been provided in March 2006 and the exchange had been shifted in May 2006.

Thus the delay in getting the electrical connections in time, resulted in idle investment of Rs 89.57 lakh for over two years.

**Rajasthan Telecom Circle**

Three telephone exchange buildings were constructed in the Govind Nagar, Jobner and Bijolia areas of the Jaipur and Bhilwara Secondary Switching Areas (SSAs) between January 2001 and February 2003 at a total cost of Rs 1.57 crore.

Audit scrutiny (January 2006) of the records of the Principal General Manager, Telecom District (PGMTD), Jaipur revealed that the Govind Nagar exchange building was constructed in January 2001 by the Telecom Civil Division, but the PGMTD Jaipur took its possession in June 2002, after a delay of more than one year. Audit noticed that the exchange equipment was also not requisitioned for installation and transferring the working connections from the exchange located in the rented building. This resulted in non-utilisation of the newly constructed exchange building till September 2006.

The Jobner exchange building was completed and handed over to PGMTD, Jaipur by the Civil wing in August 2001. Audit noticed (July 2006) that the telephone exchange functioning in a rented building at Jobner was not shifted to the newly constructed Jobner exchange building even after four years, as the junction cable connecting the existing rented exchange building and the newly constructed building had not been laid. Audit further noticed that due to delay in shifting and commissioning the exchange and with the introduction of mobile communication the location of rented building was technically more suitable and hence the Jobner exchange was not shifted from the rented building.

Audit scrutiny (October 2005) of the records of GMTD, Bhilwara revealed that the Bijoliya exchange building was completed and handed over to the GMTD by the Civil wing in February 2003. Audit noticed that the optical fibre cable was not laid connecting the old rented exchange building and the newly constructed exchange building at Bijoliya, even after three years (February 2006) and the exchange could therefore, not be shifted to the new building.

On this being pointed out in Audit, the Divisional Engineer (DE), East-II, Jaipur stated (February 2006) that on availability of the switching and other equipment, the shifting work would be carried out on a priority basis to Govind Nagar exchange building. In respect of the Jobner Exchange, DE, Rural, Jaipur stated (February 2006) that with the introduction of mobile communication the new exchange building was no more required and was proposed to be used for stores and office purposes. Divisional Engineer (Planning), Bhilwara stated (February 2006) that repeated efforts to lay optical fibre cable between the old exchange building and the new exchange building failed and the work had been transferred to the Project wing, Jaipur. The reply was not acceptable as GMTD Bhilwara took up (May 2005) the matter of laying of Optical fibre media with the Project wing only after two years of taking possession of the building and hence the work could not be completed in time.

Thus failure of the SSAs to shift the exchanges located in rented buildings, resulted in non-utilisation of the newly constructed exchange buildings and consequent blocking of capital of Rs 1.57 crore.

**Tamil Nadu Telecom Circle**

Audit scrutiny (December 2005 and March 2006) of the records of GMsTD, Kumbakonam and Tirunelveli revealed that seven telephone exchange buildings constructed between September 2002 and July 2004 by these SSAs could not be utilized (June 2006) even after two to four years of their completion. Audit noticed that two exchange buildings under Kumbakonam SSA were not utilized due to non-availability of switching equipment and five exchange buildings in Tirunelveli SSA were also vacant due to non-completion of electrical works, non-allotment of cables and non-availability of water facility. This resulted in idle investment of Rs 1.77 crore.

On this being pointed out in Audit, the Divisional Engineer, Kumbakonam SSA stated that the building could not be used due to non-availability of switching equipment. The Sub Divisional Engineer, Tirunelveli SSA stated that, the buildings could not be occupied due to delay in completion of electrical works and non-allotment of cables by the circle office.

Thus non-utilisation of newly constructed telephone exchange buildings even after two to four years of their construction revealed lack of synchronisation of various activities for commissioning of exchanges at the Circle and SSA levels. This resulted in idling of exchange buildings defeating the purpose of their construction besides blocking of funds of Rs 6.07 crore for varying periods.

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

## 3.5 Unfruitful expenditure on primary cables

**The Bhopal Secondary Switching Area under the Madhya Pradesh Telecom Circle laid primary cables far in excess of the actual requirement, resulting in unfruitful expenditure of Rs 5.63 crore.**

External plant telecom networks consist of primary and distribution cables. Primary cables can consist of 800, 1200, 1600 and 2000 pairs of wires while distribution cables can consist of 400, 200, 100, 50, 20, 10 and 5 pairs of wires. Pairs of wires at one end of a primary cable are terminated at the main distribution frame (MDF) in a telephone exchange while the other end is branched into distribution cables and terminated in distribution pillars (DP) near the subscribers' premises. For providing one telephone connection, a single pair of wire of primary cable has to be terminated at the MDF.

Audit scrutiny (December 2005) of the records of the Bhopal Secondary Switching Area (SSA) under the Madhya Pradesh Telecom Circle revealed that as of March 2000, 1.83 lakh pairs of primary cables were terminated at MDFs in 17 exchanges for providing 97,083 telephone connections, leaving 86,417 excess pairs. Audit further noticed that inspite of having sufficient numbers of primary cables in the year 2000 for providing additional 86,417 telephone connections, the SSA laid 50,400 additional pairs of primary cables during the years 2000 to 2005. As a result, the number of pairs of primary cables terminated at MDF was 2.33 lakh against 1.19 lakh telephone connections in 37 exchanges as of March 2005. Consequently, there was a surplus of 88,044 pairs of primary cables as of March 2005, even after deducting 26,630 cable pairs required during 2006-10. Thus the excess provision of primary cables resulted in their idling and consequent unfruitful expenditure of Rs 5.63 crore as detailed in Appendix-XIX.

On this being pointed out by Audit, the Deputy General Manager, (Switching Planning), Madhya Pradesh Telecom Circle while accepting that excess primary cables had been laid, stated (May 2006) that due to expansion of the mobile service network, the demand for landline services had not grown at the expected rate and the cable pairs had remained idle. The reply is not acceptable as the Wireless in Local Loop and Global System for Mobile Communications were introduced in 2000 and 2001 respectively and the Bhopal SSA could have planned accordingly.

Thus the failure of the Bhopal SSA to lay primary cables commensurate with the growth of telephone connections resulted in excess primary cables and consequent unfruitful expenditure of Rs 5.63 crore.

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

## 3.6 Injudicious expansion/commissioning of exchanges

**The General Manager, Telecom District, Ranchi under the Jharkhand Telecom Circle injudiciously expanded/commissioned seven telephone exchanges, resulting in unproductive expenditure of Rs 4.83 crore on these exchanges.**

Departmental guidelines, as adopted by Bharat Sanchar Nigam Limited, stipulate that the expansion of an exchange is to be considered on an anticipated growth rate of demand of 15 to 20 *per cent*. The guidelines also provide that the average utilization of exchange capacity up to 5k• and beyond 5k lines should be 75 *per cent* and between 82 and 85 *per cent*, respectively.

Audit scrutiny (October 2005) of the records of the General Manager, Telecom District, Ranchi revealed that six projects, sanctioned between February 1999 and January 2003 for expansion of six exchanges, were implemented during December 2001 to December 2004. The expansions were approved without considering the anticipated growth rate of demand of 15 to 20 *per cent* as envisaged in the guidelines. Audit noticed that due to higher projection of growth of subscribers and failure to consider the exchange capacity utilisation before expansion, all the six exchanges remained underutilized and their utilization ranged between 27 and 70 *per cent*. Further, the working telephone connections in all these exchanges as of September 2005 were such that the same could have been accommodated from their pre-expansion capacities. This indicated in unproductive expenditure of Rs 3.61 crore on expansion of exchanges by 6k lines as detailed in Appendix-XX.

Audit also observed (October 2006) that a 2k exchange was commissioned (March 2004) at Devi Mandap road, Ranchi, without estimating the demand for telephone connections in the area. Even after one year of commissioning, no new connections had been provided there. Only 228 connections were provided through diversions from other exchange by area transfers. This showed unproductive expenditure of Rs 1.22 crore on commissioning of the new exchange.

• 1k – 1000 lines

On this being pointed out in Audit, the Sub-Divisional Engineer (Planning-1), Telecom District, Ranchi while accepting the facts, stated (November 2005) that action would be taken to divert the surplus equipment. He further stated that the possibility of winding up the new exchange at Devi Mandap was being examined.

Thus injudicious expansion of six exchanges and commissioning of one new exchange resulted in non-utilization of 8k lines and unproductive expenditure of Rs 4.83 crore.

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

## 3.7 Failure to optimally utilize the Cable Record Purification system

**The General Managers Telecom Districts, Gwalior and Bhopal under the Madhya Pradesh Telecom Circle failed to optimally utilise the Cable Record Purification systems procured at a cost of Rs 1.46 crore and the objective of 100 *per cent* verification of cable pairs was defeated.**

The Company's corporate office instructed (September 2001) the General Managers Telecom District (GMsTD), Gwalior and Bhopal to do a 100 *per cent* verification of the cable pairs terminating in the main distribution frames/cabinets/pillars to facilitate recovery of good cable pairs and preparation of computerised cable records as the largest share of expenditure of external plant network of the Company is incurred on cables.

Accordingly GMsTD, Gwalior and Bhopal installed (October 2003) one single ended and one double ended Cable Record Purification (CRP) system respectively at a total cost of Rs 1.46 crore. The systems were capable of testing up to one and a half lakh cable pairs per annum.

Audit scrutiny (August 2005/April 2006) of the records of GMTD, Gwalior revealed that only 25,800 pairs of primary cables out of a total of 1.38 lakh pairs as of April 2006 were tested. The CRP system remained faulty since June 2004 and was rectified in September 2005, after which it was despatched to GMTD, Jabalpur without completing the tests at Gwalior.

Similarly, audit scrutiny (August 2004/July 2006) of the records of GMTD, Bhopal revealed that only 25,100 pairs of primary cables were tested out of a total of 2.30 lakh pairs. Thereafter, the CRP system at Bhopal was shifted (September 2004) to Indore. Audit further noticed that after shifting of the CRP system to Indore, it could not be used due to a faulty hard disc and was lying idle as of July 2006.

On this being pointed out in Audit, the Deputy General Manager (Operations), Madhya Pradesh Telecom Circle stated (May 2006) that the single ended CRP system was initially deployed at Gwalior and on completion of testing and purification of the cable records of two exchanges, the system was deployed at Jabalpur town. He further stated that the double ended CRP system was initially deployed in Bhopal and after completion of testing of one telephone exchange, it was deployed at Indore. Thus, the primary cable pairs in the remaining 12 exchanges in Gwalior and three main exchanges in Bhopal were not tested before shifting the CRP system to Jabalpur and Indore respectively. As against 3.68 lakh pairs of primary cables to be tested, only 50,900 pairs (14%) were tested by both the CRP systems.

Hence, the objective of 100 *per cent* verification of the cable pairs to ensure their repair and utilisation and the objective of computerizing and updating the cable records through CRP system were not achieved even after incurring an expenditure of Rs 1.46 crore.

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

## 3.8 Injudicious purchase of land

**The General Manager (Development), Ahmedabad Telecom District under the Gujarat Telecom Circle leased a plot of land without considering its suitability resulting in blocking of Rs 1.24 crore and consequent loss of interest of Rs 53.70 lakh.**

The General Manager (GM) (Development), Ahmedabad Telecom District (ATD) under the Gujarat Telecom Circle leased (March 2000) 4,125 square metres of land at Ghatlodia, Ahmedabad at a cost of Rs 1.96 crore from the Ahmedabad Urban Development Authority (AUDA) for construction of a telephone exchange and staff quarters.

Audit scrutiny (February 2005) of the records of GM (Development), ATD revealed that the above plot of land was leased without considering its suitability. Audit noticed that the Executive Engineer (Civil), Telecom Division, Ahmedabad in his site suitability certificate had pointed out (October 1999) that the land was not demarcated; was encroached; Municipal sewerage line was passing through it and it was lower by an average of 10 feet than the nearest road. He had further pointed out that the land was initially a pond. GM (Development), ATD without considering these aspects leased the land and paid the cost of land in two instalments of Rs 1.30 crore and Rs 66.33 lakh in March and August 2000 respectively. Audit noticed that GM (Development) after a gap of two years of making the payment had found (October 2002) that the land was a notified pond and was not suitable for construction purpose as the cost of filling of the land would have been exorbitant. The Principal General Manager (PGM), ATD decided (October 2002) to return the land to AUDA and claim refund. PGM, ATD, after retaining 970 square metres of land addressed (January 2003) AUDA for surrendering the balance of 3,155 square metres and claimed refund of the cost of the surrendered land. Audit further noticed that PGM, ATD after a lapse of two more years took up the matter in March 2005 with AUDA again for refund. An amount of Rs 1.24 crore was finally refunded in August 2005. Thus leasing of land without considering its suitability resulted in its surrendering and consequent blocking of capital of Rs 1.24 crore for more than five years besides loss of interest of Rs 53.70 lakh.

On this being pointed out in Audit, the Deputy General Manager (Building planning), ATD stated (August 2006) that the land was purchased with the approval of the competent authority and as per the existing rules. He further stated that AUDA had given clear possession of the land without any encroachments and as the proposal for construction of the staff quarters was dropped, the land was surrendered. The reply does not give a true picture as PGM, ATD had decided to surrender the plot only after considering (October 2002) that the land was a notified pond and unsuitable for construction purposes. Also the ATD failed to assess its requirement of staff quarters before leasing the land.

Thus failure to consider the suitability of the land and its requirement before leasing it resulted in its idling. This resulted in blocking of capital of Rs 1.24 crore for more than five years and consequent loss of interest of Rs 53.70 lakh.

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

## 3.9 Infructuous expenditure on payment of electricity charges

**Bihar, Jharkhand and Kerala Telecom Circles did not review and reduce the contracted electricity demand on the basis of actual consumption. This resulted in payment of minimum demand charges on the basis of higher contracted demand and consequent infructuous expenditure of Rs 1.23 crore.**

The Public Accounts Committee (PAC) had taken a serious note in the past of cases of infructuous expenditure due to contracting excessive power loads. As a follow up, the Ministry issued (April 1987) necessary instructions to heads of circles to periodically review and modify the contracted power demands based on actual requirements and reiterated these instructions in October 1996 and October 1999 as did BSNL in November 2001.

Audit scrutiny (February/April 2006) of the records of four Secondary Switching Areas (SSAs) of Chapra, Munger, Patna and Samastipur under Bihar Circle, Ranchi SSA under Jharkhand Circle and Electrical Division under Kerala Circle revealed that contracted demands were more than the required demand. The minimum demand charges on higher contracted demands continued to be paid during 2001-06 without getting the contracted demand reduced resulting in infructuous expenditure of Rs 1.23 crore as shown in Appendix-XXI.

On this being pointed out in Audit, the Chief Engineer, Telecom Electrical Division, Thiruvananthapuram stated (May 2006) that the contracted demand for a new exchange was calculated by the electrical wing based on the information given by the SSA authorities regarding the equipment proposed to be installed in the exchange and the connection was obtained by the officer in charge of the exchange. It was further stated that as the equipment were being installed in a phased manner, the registered demand in the initial stages would be comparatively low and monitoring was required for at least six months for arriving at a decision on whether the contracted demand was in excess or otherwise. He further added that the contracted demand had already been reduced in many of the exchanges and efforts were on to optimize the utilization in future. Audit, however, noticed that the contracted demand was reduced during the period 2002-06 in three exchanges under Thiruvananthapuram SSA and even after reduction the contracted demand was on the higher side. Further the SSA failed to periodically review and modify the contracted power demands based on actual requirements. Heads of SSAs in the Bihar Circle stated (March 2006) that the case for reduction of contracted demand was being taken up with the Bihar State Electricity Board. The Divisional Engineer (General), Ranchi SSA stated (April 2006) that a reference had been made to the Jharkhand State Electricity Board (JSEB) for reduction of contracted demand in November 2002. They added that no action had been taken by JSEB in this regard.

Although the Company had issued (November 2001) instructions for monitoring of energy consumption in telephone exchange buildings, persistence of these deficiencies indicated a clear weakness in the internal control mechanism at the level of SSAs.

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

## 3.10 Infructuous expenditure on cable laying

**The General Manager Telecom District, Dehradun under the Uttaranchal Telecom Circle laid additional polythene insulated jelly filled underground cables without expansion of telephone exchange concerned, resulting in their idling and wasteful expenditure of Rs 1.05 crore.**

The General Manager Telecom District (GMTD), Dehradun under the Uttaranchal Telecom Circle sanctioned (January 2001) a project for expansion of the Remote Switching Unit (RSU) exchange at Rajpur from 3k• to 4k lines at a total estimated cost of Rs 1.70 crore. Accordingly 10,657 ckm* of polythene insulated jelly filled (PIJF) underground cables were laid between March 2002 and August 2003 for providing access network at a total cost of Rs 1.05 crore. The access network provides connectivity between a telephone exchange and a telephone subscriber.

Audit scrutiny (July 2004/May 2006) of the records of GMTD, Dehradun revealed that though the PIJF underground cables were laid, the RSU exchange at Rajpur was not expanded resulting in underutilisation of cables. Audit observed

• 1K-one thousand

* Cable conductor kilometers

that while the PIJF underground cables were being laid, GMTD Dehradun sanctioned (June 2003) deployment of two 480 lines Digital Loop Carrier (DLC) systems in the access network for Rajpur exchange area. As the DLC systems work on optical fibre cables the PIJF underground cables already laid would be redundant. Further the equipped capacity of the Rajpur RSU exchange remained 3k lines and the telephone connections provided from it declined from 2,730 in April 2003 to 2343 in May 2006, thereby rendering the additional PIJF cables laid for expansion of RSU exchange at Rajpur superfluous. This resulted in infructuous expenditure of Rs 1.05 crore.

On this being pointed out in Audit, the Deputy General Manager (Planning) stated (February 2005) that the cable network would be utilized as the Rajpur exchange area had been expanded by 1k lines by installing two 500 lines DLC systems. The reply was not convincing since, as stated earlier, the DLC system works on optical fibre cables and hence the PIJF cables laid were redundant. Further, the telephone connections in Rajpur area declined to 2343 in May 2006 and hence the additional PIJF underground cables laid for expansion of Rajpur exchange from 3 to 4 k lines could not be used.

The failure of GMTD, Dehradun to properly plan the access network resulted in idling of 10,657 ckm of PIJF underground cables and consequent wasteful expenditure of Rs 1.05 crore.

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

## (C) Avoidable expenditure/payment

### 3.11 Avoidable expenditure on obsolete stores

**The Chief General Manager, Calcutta Telephone District incurred avoidable expenditure of Rs 1.94 crore on payment of rent, ad valorem surcharge and insurance charges in respect of obsolete stores.**

Rules provide that stores purchased must not be held in excess of requirement beyond a reasonable period and stores remaining in stock for over a year should be considered surplus. In order to ensure the observance of this rule, annual inspections must be carried out by responsible officers, who must submit reports of surplus and obsolete stores to the authorities competent to issue orders for their disposal. Rules further provide that the value of the stores must not be materially in excess of the market value and periodical review and revision of rates must be done.

Consequent upon formation of Bharat Sanchar Nigam Limited (BSNL) in October 2000, the Chief General Manager (CGM), Calcutta Telephone District (CTD) inherited stores pertaining to E10B exchanges. These stores had a book value of Rs 19.83 crore as of September 2000. The stores were procured during 1990-1991 to1996-1997 and had not been utilized. They were stocked in the Dakshindari Warehouse belonging to the West Bengal State Warehousing Corporation (WBSHC) and the Taratola Warehouse belonging to the Central Warehousing Corporation (CWC).

The WBSHC and the CWC charged a monthly rent based on the area occupied by the stores. In addition they levied ad valorem surcharge and insurance charges based on the highest value of stores reached on a particular day of each month with effect from 1 January 1999 and 1 April 2001 respectively.

Audit scrutiny (March 2005) of the records of CGM, CTD, disclosed that the E10B stores had become obsolete but CGM, CTD did not either dispose of the obsolete stores or revalue the same. In July 2003 the Deputy General Manager (DGM) (Switching and Planning) had revalued the obsolete stores at Rs 39.66 lakh based on their residual value. Audit noticed that this was not communicated to the Warehousing Corporations and CTD continued to pay higher ad valorem surcharge and insurance charge on the original book value. The failure to dispose of the obsolete stores resulted in avoidable rent of Rs 91 lakh. Besides that, non revision of the book value of the obsolete stores resulted in avoidable expenditure of Rs 1.03 crore on ad valorem surcharge and insurance charge for the period October 2000 to February 2006.

On this being pointed out in Audit (March 2005), DGM (Switching and Planning), CTD recommended (June 2005) scrapping of these stores to avoid the payment of rent, ad valorem surcharge and insurance charges. Audit, however, observed that the scrapped materials were still lying in stock at both the warehouses and had not been disposed as of February 2006.

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

## 3.12 Avoidable payment of interest

**Twelve Secondary Switching Areas under the Andhra Pradesh and Rajasthan telecom circles made avoidable payment of interest of Rs 91 lakh due to delayed payments of service tax.**

The Service Tax (Amendment) Rules, 1998 issued by the Ministry of Finance, provides that the service tax on the value of taxable services received during a calendar month were to be credited to the Central Government by the 25$^{th}$ of the following month. Delayed payment of service tax attracts interest as stipulated in the Finance Act, 1994. The Department of Telecom also issued (July 2001) instructions to all heads of circles to deposit service tax on time to avoid imposition of penalty and directed the circles to fix responsibility in case of delayed payment.

Audit scrutiny (June 2004 to March 2006) of the records of five Secondary Switching Areas (SSAs) viz., Ananthapur, Cuddappah, Hyderabad, Kurnool and

Tirupati under the Andhra Pradesh Circle and seven SSAs viz., Ajmer, Bhilwara, Jhalawar, Jodhpur, Kota, Pali and Sriganganagar under the Rajasthan Circle revealed that these units failed to ensure timely compilation of sub-ledgers (SLR)[2] to determine the amounts of service tax to be paid. This resulted in delayed payment of service tax and consequential avoidable payment of Rs 91 lakh towards interest on delayed payments of service tax for different periods between October 2000 and March 2004 in different SSAs as detailed in Appendix-XXII.

On this being pointed out in Audit, the General Manager (Finance), Andhra Pradesh Circle stated (May 2006) that in order to ascertain the amount of service tax, compilation of the SLRs was mandatory. He further stated that the due date for compilation of the SLRs coincided with that for payment of service tax, which resulted in delayed remittance of service tax. The heads of SSAs in the Rajasthan Circle also stated (August 2005) that delayed payment of service tax was due to delay in compilation of SLR.

Clearly, the circles should have advanced the prescribed last date for compilation of SLR and introduced adequate and effective internal controls to ensure prompt payment of service tax.

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

## 3.13 Excess payment of money order commission

**Failure of 10 Secondary Switching Areas in Gujarat, Karnataka and Rajasthan Telecom circles to avail of concessional money order rates resulted in excess payment of money order commission of Rs 51.55 lakh.**

Department of Posts (DoP) in pursuance of the User Pay Principle introduced (August 2001) the facility of sending money orders (MO) for remittance of salaries and other allowances of Bharat Sanchar Nigam Limited through single MO without any upper monetary limit on payment of commission at concessional rates with effect from 1st October 2001. Based on this, the Corporate Office of the company issued (September 2001) detailed instructions to Telecom Circles to switch over to this regime.

Audit scrutiny (November 2004 to May 2006) of the records of 10 SSAs in Gujarat, Karnataka and Rajasthan Telecom circles revealed that the concerned SSAs were remitting salary through separate MOs to officials working at the same place in field units instead of sending a single MO to the concerned designated officer for disbursement. Audit also observed that in cases where the value of the MO was between Rs 5001 and Rs 1 lakh the commission was paid at Rs 450 per MO against the concessional rate of Rs 200 per MO. This resulted in excess

[2] SLR – Record showing the revenue earned against each service for a particular month on the basis of which service tax is determined.

payment of commission of Rs 51.55 lakh during the period from October 2001 to December 2005 as shown in Appendix-XXIII.

On this being pointed out in Audit (November 2004), GMT Gulbarga, accepted the facts and stated that steps would be taken to follow the instructions under the User Pay Principle. Heads of SSAs in Gujarat circle stated (February 2006) that they were not aware of the above orders. In Rajasthan circle, while GMTD Jodhpur stated that individual MOs were stopped from 2003-04, other three SSAs viz., Barmer, Bharatpur and Tonk stated that the matter would be taken up with the Postal Authorities and the excess paid MO commission would be got adjusted. Further the Banswara and Jhalawar SSAs stated that MO commission paid by them at the rate of Rs 450 for the value of MOs between Rs 5001 and Rs 1 lakh was correct. The reply of the SSAs was not tenable as DoP had clarified (August 2001) that MO commission was to be charged only at the rate of Rs 200 for the value of MOs between Rs 5001 and Rs 1 lakh.

Thus failure on the part of Gujarat, Karnataka and Rajasthan circles to take advantage of the facility of sending MOs under the User Pay Principle resulted in excess payment of MO commission of Rs 51.55 lakh.

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

# CHAPTER IV
# MAHANAGAR TELEPHONE NIGAM LIMITED
# MAJOR FINDINGS IN TRANSACTION AUDIT

## 4.1 Loss of revenue due to delay in disconnections for non-payment

**Failure of Telecom Revenue Accounting wings to issue disconnection orders in time, as also delay by four exchanges of the Mumbai unit of MTNL in disconnecting Wireless-in-Local Loop telephone connections for non-payment of rentals, resulted in loss of revenue of Rs 1.16 crore.**

As per rules, telephone connections are to be disconnected in case of non-payment of bills. Rules provide that the Accounts Officer, Telephone Revenue (AOTR) is to issue disconnection orders and on receipt of the same, the exchange officer is to disconnect such telephones on the dates indicated therein. For streamlining the disconnection procedure, Mumbai unit of MTNL issued (July 2002) instructions that in order to restrict delays, the telephones are to be disconnected on the 45$^{th}$ day from the bill dates.

Test check (February and March 2006) of the records relating to the Wireless-in-Local Loop (WLL) telephone connections in respect of four exchanges, viz., Gamdevi, Goregaon, Marol and Mazgaon under the Mumbai unit of MTNL revealed that the above procedure for disconnection was not followed in respect of 717 WLL telephone connections, as detailed below:

- In respect of 282 WLL connections, there were delays up to 390 days out of which in 81 *per cent* cases, delay was up to 160 days in sending the disconnection lists to the exchanges by the Telecom Revenue Accounting (TRA) wing. Again, after receipt of the disconnection lists, the exchanges made further delays up to 409 days in disconnecting these WLL connections, out of which in 60 *per cent* cases, the delay was up to 60 days.

- In respect of 435 WLL connections, though the disconnection lists were sent in time by the TRA wing, the exchanges disconnected these WLL connections after delays up to 499 days, out of which in 77 *per cent* cases delays were more than 120 days.

The above delays resulted in loss of revenue of Rs 1.16 crore for the period October 2004 to October 2005, as detailed in Appendix-XXIV. Audit also found (August 2006) that on account of inadequate mail addresses of the subscribers, more than 50 *per cent* of the legal notices, issued by the Management, had been returned undelivered and no progress could also be made by the recovery agency appointed by the Management.

On this being pointed out in Audit, the General Manager (CDMA), MTNL Mumbai unit accepted the facts and stated (August 2006) that TRA functions of WLL services of entire MTNL Mumbai were managed by one AOTR at Goregaon exchange, which posed difficulty for him to coordinate with all exchanges and subscribers. Hence, updation of the disconnection etc. in the billing system could not be done in time.

A similar comment was incorporated in Paragraph 6.11.3 of the Report of the Comptroller and Auditor General of India, Union Government (Commercial) for the year ending 31 March 2004 and the Management had stated that corrective action was being taken. The deficiency, however, was found to persist.

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

## 4.2 Loss of potential revenue

**Failure of the Delhi unit of Mahanagar Telephone Nigam Limited to follow the stipulated norm for providing leased circuits within the prescribed period resulted in loss of potential revenue of Rs 59.57 lakh.**

Leased circuits are dedicated links provided between two fixed locations for exclusive use of the subscribers. As per the norms adopted by Mahanagar Telephone Nigam Limited (MTNL), leased circuits were to be provided within seven days from the date of issue of the final advice notes for commissioning.

Test check (May 2006) of the records of the Delhi unit of MTNL revealed that in respect of 11 cases, not only did the unit fail to follow the stipulated norm of providing leased circuits within seven days from the date of issue of the final advice notes, but as of May 2006, these circuits were not commissioned at all. In another 56 cases, the commissioning of the circuits was delayed up to 319 days, out of which in 64 per cent cases the delay was more than 180 days from the date of issue of advice notes. This resulted in loss of potential revenue of Rs 59.57 lakh for the period November 2004 to May 2006.

On this being pointed out in Audit, the Divisional Engineer (Leased Circuits), MTNL, Delhi unit accepted (May 2006) the facts and stated that the non commissioning and delay in commissioning were mainly due to technical reasons, like higher distance of the local leads, high loop resistance, delay in receipt of subscribers' consent for putting the circuits through optical fibre cables, etc.

The reply was not tenable because technical feasibilities for commissioning of the various leased circuits should have been assessed before issue of the final advice notes for commissioning.

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

## 4.3 Recovery at the instance of Audit

**Delhi and Mumbai units of MTNL recovered outstanding dues of Rs 1.43 crore from subscribers at the instance of Audit.**

Test check (July 2004 and January 2005) of the records pertaining to Delhi and Mumbai units of MTNL revealed that an amount of Rs 1.43 crore was short billed (during the period July 2002 to March 2006) mainly due to non-implementation of orders, as detailed in Appendix-XXV.

On this being pointed out by Audit, both the units of MTNL issued bills for Rs 1.43 crore and recovered the same between August 2004 and September 2005.

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

## 4.4 Blocking of capital

**MTNL, Delhi could not get possession of land for a telephone exchange as it delayed the payment for the same. This led to blocking of capital of Rs 10.62 crore, besides loss of interest of Rs 1.59 crore.**

Mahanagar Telephone Nigam Limited (MTNL), Delhi requested (October 2001) the Delhi Development Authority (DDA) for allotment of a plot of land measuring 1,394 square metres in the Tughlakabad Industrial Area for construction of a telephone exchange building. The plot was allotted (December 2001) and as per the terms and conditions of the allotment letter, the premium for the land and the ground rent, totalling Rs 10.89 crore, were payable within 60 days, failing which the Company was liable to pay interest at the rate of 18 *per cent* for delay up to six months from the date of issue of the allotment letter. On expiry of six months, the allotment would automatically stand cancelled. Further, the Company was to give an acceptance letter within 60 days from the date of issue of the allotment letter.

Audit scrutiny (December 2005) of the records of the Assistant General Manager (Land), MTNL, Delhi revealed that the Company paid (November 2002) Rs 10.62 crore towards land premium and did not pay the ground rent of Rs 26.56 lakh although the payments were to be made by February 2002. Consequently, DDA did not hand over the possession of the land and demanded Rs 1.74 crore towards interest on the belated payment as per the terms and conditions of the allotment letter. The Company corresponded with the DDA for handing over the possession of land without paying the interest, but DDA did not agree. Ultimately, after three years, the Company decided (October 2005) to get Rs 10.62 crore refunded. However, DDA had not refunded the money till August 2006.

Audit observed that the delay in payment of the land premium was due to lapses on the part of MTNL officials. The sanctioning authority was the Chief General Manager, MTNL, Delhi. Before sanction, the clearances of the Land, Planning, Civil and Finance wings were to be obtained by the Assistant General Manager (Land). Instead of simultaneously coordinating and processing the case with the different wings, the clearances were obtained one after another, resulting in delays. After receiving the allotment letter in December 2001 the site suitability report of the said plot was given by the Senior Architect, MTNL in January 2002. However the GM (Finance) gave the financial concurrence only after six months in July 2002. The payments were further delayed as the project estimate was sanctioned in August 2002 and the payment released in November 2002.

On this being pointed out in Audit, the Management stated (January 2006) that the payment towards the cost of land was made in November 2002 but instead of handing over possession of the land, DDA demanded interest of Rs 1.74 crore. They further stated that DDA had been asked to waive the interest and hand over possession of the plot, but due to non receipt of any reply from them, the competent authority had decided (October 2005) to seek refund of the premium paid, along with interest from DDA. Clearly, there was a lapse on the part of the Company to pay land premium and rent within the stipulated period, due to which possession of land was denied by DDA and interest claimed. Further, the allotment letter of DDA contained no clause for payment of interest on the refund or even for refund of the premium to MTNL.

Thus MTNL, Delhi, in spite of paying the cost of land, could not get possession, as the payments were not made within the stipulated period. This led to blocking of capital of Rs 10.62 crore, besides loss of interest of 1.59 crore on the blocked capital, worked out on a conservative rate of interest of five *per cent* per annum for three years. The objective of construction of a telephone exchange building was also not achieved.

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

## 4.5 Excess payment of electricity charges

**Mahanagar Telephone Nigam Limited, Delhi made payments of electricity charges at higher non-domestic rates instead of industrial rates resulting in excess payment of Rs 3.62 crore.**

The classification of the Department of Telecommunications as an industry under the Industrial Disputes Act 1947 was upheld by the Supreme Court of India in November 1997. The Finance Act 2002-03 also accorded industrial status to telecommunication services. Accordingly, the business of telecommunication services, whether basic or cellular, came under the ambit of industrial undertakings. Hence, industrial tariff was applicable to the electricity supplied by the Electricity Board and the distribution Companies to Mahanagar Telephone Nigam Limited (MTNL), Delhi.

Audit scrutiny (May/September 2006) of the records of Area General Managers (GMs), West-I, Central and Trans Yamuna, MTNL, Delhi revealed that the electricity bills were being charged and paid by MTNL at higher rates applicable for non-domestic, mixed load category instead of lower rates of industrial category.* The GMs did not take up the matter with the Electricity Board/Distribution Companies to convert the customer status of MTNL from the existing non-domestic to industrial category even after a lapse of three years. This resulted in excess payment of electricity charges of Rs 3.62 crore during the period from April 2003 to March 2006.

On this being pointed out in Audit, the units replied (September 2006) that it was a policy matter to be taken up by the Company's Corporate office for all its units. However, the MTNL Corporate office had also not taken any action in this regard.

Thus failure of the Company to take prompt action for conversion of its customer status from non-domestic to industrial category resulted in payment of electricity charges at higher non-domestic rates and consequent excess payment of Rs 3.62 crore.

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

## 4.6 Failure to recover compensation for damage to underground cables

**Failure of the General Managers (South–II and West-II), Mahanagar Telephone Nigam Limited, Delhi to prefer compensation claims for damage to underground cables resulted in non-recovery of compensation of Rs 3.43 crore.**

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

Audit scrutiny (May 2006) of the records of the General Managers (GMs), (South–II and West-II), Mahanagar Telephone Nigam Limited (MTNL), Delhi revealed that outside agencies had damaged underground cables costing Rs 3.43 crore during 2001-02 to 2005-06. In respect of damages of Rs 1.14 crore, the Company failed to locate the agencies that had damaged the underground cables. In the remaining cases involving Rs 2.29 crore, although the agencies were known, the Company failed to lodge any claims. Thus failure of GMs, South-II and West-II to prefer compensation claims on the parties concerned even after lapse of one to four years, resulted in non-realisation of compensation claims of Rs 3.43 crore as detailed in Appendix-XXVI.

* Tariff ranged between Rs 4.14 to Rs 5.64 per kwh for non-domestic category and Rs 3.75 to Rs 5.00 per kwh for industrial category.

On this being pointed out in Audit, the Assistant General Manager (operations), MTNL, Delhi stated (August 2006) that compensation claims were not preferred as the damages were caused by the Government and unknown agencies. The reply was not acceptable as compensation claims for damage to Company's property was to be claimed from anyone damaging its property, except the Defence Services. Further, the Company failed to take adequate measures to identify the agencies that had damaged its cables.

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

## 4.7 Loss due to retention of land without utilization

**Failure of the Company to utilize land for construction of staff quarters, resulted in its idling and consequent loss of Rs 2.91 crore paid for extension of time for the plot.**

The Delhi Development Authority (DDA) allotted (1969) a plot measuring 4.20 acres at Pankha road, Delhi at a cost of Rs 9.97 lakh to the erstwhile General Manager (GM) (Telephones), Delhi (now Mahanagar Telephone Nigam Limited (MTNL), Delhi) for construction of staff quarters. The Company failed to construct the staff quarters and DDA cancelled (November 2000) the allotment of the plot. The General Manager, MTNL, Delhi approached (September 2001) DDA seeking extension of time for construction of staff quarters on the said plot. DDA granted extension of time up to December 2002 for completing the construction and restored the allotment, directing the Company to deposit Rs 3.48 crore as penalty towards restoration charges and composition fees. As this amount was found to be incorrect, the Company paid (November 2001) the re-calculated amount of Rs 2.91 crore to DDA. However, the Company again failed to construct the quarters within the extended period of time and sought further extension of time up to June 2004.

Audit scrutiny (December 2005) of the records of the office of the General Manager (Planning), MTNL, Delhi revealed that the proposed construction of the quarters had not commenced and the plot was still lying vacant. Audit noticed that the process of appointment of a consultant architect and submission of drawings for approval of the Municipal Corporation of Delhi (MCD) began in 1996 after 26 years from the allotment of the plot. Tenders for appointment of a consultant architect were invited in May 1996 and the consultancy was awarded in August 1998 after two years. The drawings were submitted to MCD in June 2002 after a further delay of more than three years. As the drawings were not as per the norms of MCD, revised drawings were submitted in May 2004. However, the GM (Planning) submitted a note in July 2005, seeking approval of the Board of Directors for surrendering the plot. The Board's decision was awaited as of April 2006. Thus failure of the Management to get the approval of MCD in time and to assess the requirement of the plot for construction of staff quarters before seeking extension of time and paying a penalty in November 2001, after keeping the plot vacant for 30 years, resulted in a loss of Rs 2.91 crore.

On this being pointed out in Audit, the Deputy General Manager (Building Planning), MTNL, Delhi stated (January 2006) that the demand for staff quarters had reduced considerably due to several reasons and hence, it was proposed to surrender the plot. He further stated that the Company had been using the plot as a central stores depot and hence the expenditure on it could not be treated as wasteful. The reply was not tenable as in spite of keeping the plot vacant for 30 years, the Management failed to assess the actual requirement of the plot before seeking extension of time and paying the penalty in November 2001. Also the plot was yet to be surrendered (August 2006). Further, use of the plot as a central stores depot was only incidental as is evident from the fact that MTNL is ready to surrender the plot and can obviously accommodate the stores elsewhere.

Keeping the plot vacant for 30 years by the Company and seeking extension of time for retention of the same without any purpose, resulted in loss of Rs 2.91 crore towards retention charges and composition fees.

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

## 4.8 Excess payment of sewerage tax

**General Manager (East-I), Mahanagar Telephone Nigam Limited, Mumbai made excess payment of Rs 1.06 crore towards sewerage tax.**

The Sewerage and Waste Removal Rules of the Bombay Municipal Corporation (BMC) provided that wherever water was supplied to any premises by meter measurement, the Municipal Commissioner could levy sewerage charges equivalent to 50 *per cent* of the prescribed water charges instead of levying sewerage tax. Further, the BMC Act provided that a person who was charged for sewerage services in his/her water bills would not be liable to sewerage tax.

Audit scrutiny (June 2005) of the records of the General Manager (GM), (East-I), Mahanagar Telephone Nigam Limited (MTNL), Mumbai, revealed that permanent metered water connections provided by BMC existed since April 1998 in the telecom staff quarters at Powai, Mumbai and payment of sewerage charges was being made along with the water bills. Audit, however, observed that in addition to the above sewerage charges, BMC had also included sewerage tax in the property tax bills of MTNL, which was paid by MTNL. This resulted in excess payment of sewerage tax of Rs 89 lakh during the period April 1998 to September 2005.

On this being pointed out inAudit, the Management accepted (August 2005) the excess payment and claimed refund of the same. BMC intimated (October 2005) MTNL that the refund would be admissible for the last five years from the date of receipt of the application, subject to production of property tax and water charges payment vouchers. Audit observed that although the refund of excess paid sewerage tax was taken up with BMC by MTNL, Mumbai, they did not instruct BMC to exclude the sewerage tax from the property tax bills for subsequent bills. Consequently, MTNL, Mumbai continued to pay both the sewerage tax and the sewerage charges, resulting in total excess payment of sewerage tax of Rs 1.06 crore as of March 2006. Out of excess paid sewerage tax of Rs 1.06 crore, the Management adjusted Rs 28.23 lakh (June 2006) and chances of refund of Rs 11.34 lakh were remote as the BMC rejected claims which were more than five years old.

Thus absence of due professional care by MTNL, Mumbai led to the unnecessary payment of sewerage tax of Rs 1.06 crore.

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

## 4.9 Excess payment of electricity duty

**General Manager (West-II), Mahanagar Telephone Nigam Limited, Mumbai paid electricity duty at rates higher than that prescribed for the telecommunications sector, resulting in excess payment of Rs 59.37 lakh.**

The classification of the Department of Telecommunications as an industry under the Industrial Disputes Act, 1947 was upheld by the Supreme Court of India in November 1997. The Finance Act 2002-03 also accorded industrial status to telecommunication services.

The Government of Maharashtra had issued orders for levy of electricity duty at six *per cent* and 13 *per cent* for industrial and commercial purposes respectively with effect from April 2003.

Audit scrutiny (February 2006) of the records of the General Manager (West-II), MTNL, Mumbai, revealed that Reliance Energy Limited (REL) had charged the Company electricity duty at the rate of 13 *per cent*, applicable to commercial users, instead of six *per cent* prescribed for industrial users and the same was paid by the Company. This resulted in excess payment of Rs 59.37 lakh in respect of three telephone exchanges under the West-II area of MTNL, Mumbai during the period April 2003 to December 2005.

On this being pointed out in Audit, the concerned Divisional Engineers of MTNL, Mumbai stated (February 2006) that the issue would be taken up with REL. Audit observed (July 2006) that MTNL, Mumbai lodged a claim with REL for refund of excess paid electricity duty of Rs 59.37 lakh in July 2006 and had mentioned that the excess payment for the period from January to June 2006 were separately being worked out.

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

## 4.10 Irregular expenditure on foreign travel

**Failure of Mahanagar Telephone Nigam Limited in regulating foreign travel claims of its employees in accordance with the instructions of the Department of Public Enterprises resulted in irregular expenditure of Rs 44.85 lakh during the period May 2001 to March 2005.**

With a view to bringing about economy in expenditure on foreign travel by the officers of the Public Sector Undertakings (PSUs), the Department of Public enterprises (DPE) issued (September 1995) instructions according to which the consolidated amount paid in respect of foreign travel as per the guidelines of the Reserve Bank of India was to cover room rent, taxi charges, entertainment (if any), official telephone calls and other contingent expenditure apart from daily allowance. On return from tour, the officials were required to render accounts for all items of expenditure other than the daily allowance prescribed by the Ministry of External Affairs.

The Mahanagar Telephone Nigam Limited (MTNL) Board, while approving (January 2000) the rules of foreign travel for implementation in MTNL, incorporated sub-clause 2 (e), which stipulated that telephone, conveyance, incidentals and miscellaneous expenses as per actuals would be allowed on the basis of certification of the expenditure incurred, without mentioning the specific purposes. Further, the MTNL Board prescribed submission of bills only in respect of hotel accommodation and entertainment expenditure.

Audit scrutiny (June 2005) of foreign travel claims of the officials of the Company in respect of telephone, conveyance, incidentals and miscellaneous expenses from May 2001 to March 2005, revealed that claims amounting to Rs 44.85 lakh were admitted based on self-certification without any accounts supported by vouchers, in contravention of the DPE guidelines.

On this being pointed out in Audit, the Management replied (October 2005) that the travelling allowance/daily allowance rules for foreign travel entitlements had been approved by the MTNL Board and MTNL being a Navaratna PSU, could decide on policy matters as per the Board's decisions. They further stated that every effort was being made to strictly follow austerity measures and the observation from Audit was well taken. They also mentioned that claims for the foreign travels had been admitted as per the Company's Travelling Allowance Rules applicable to such cases. The reply of the Management was not acceptable, as the MTNL Board allowed foreign travel claims of its employees based on self certification in contravention of the DPE guidelines which stipulate rendering of accounts. Further the DPE guidelines were applicable to all the PSUs without any exception in case of navaratna PSUs.

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

# CHAPTER V
# ITI LIMITED
# MAJOR FINDINGS IN TRANSACTION AUDIT

## 5.1 Avoidable loss due to delay in supply

**Failure of the Company to initiate timely action for procurement of antenna resulted in delayed supplies and cash loss of Rs 1.25 crore due to reduction in price besides levy of liquidated damages of Rs 1.24 crore.**

The Company received an Advance Purchase Order (APO) in May 2003 from Bharat Sanchar Nigam Limited (BSNL) for supply of telecommunication equipment[•] along with other accessories. As per the APO, the Company was required to obtain Type Approval Certificate (TAC) from BSNL before the commencement of supplies against the Purchase Order (PO).

BSNL placed (February 2004 to April 2004) three Purchase Orders (POs) on the Company for the supply of the above equipment at a provisional price aggregating to Rs 15.16 crore[*]. As per the POs, (i) the Company was required to complete the supplies within six months from the placement of the order i.e. between August and October 2004; (ii) liquidated damages (LD) were leviable for the supplies made after expiry of the original delivery schedule. In addition, as per the general conditions of contract prescribed in the BSNL's procurement manual, each case of delivery extension was to be examined afresh vis-à-vis the prevailing market prices.

Audit observed (July 2005) that the order for procurement of Antenna on Electronics Corporation of India Limited (ECIL) was placed after ten months (March 2004) from the receipt of APO (May 2003) even though it was one of the major components of the system requiring TAC. Consequently, the Company could not supply the equipment within the stipulated delivery schedule and BSNL extended the delivery schedule in September 2004 with levy of liquidated damages (LD). At the same time, the provisional value of POs was reduced by BSNL to Rs 10.70 crore[°] on the basis of the lower approved price of tender opened in September 2004.

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[•] 2 MB Intermediate Date Rate (IDR) system in C-Band (Package-I) equipment and Echo Canceller Shelf

[*] PO dated February 2004 for IDR equipment (Rs 8.26 crore), PO dated March 2004 for Echo chancellor and shelves (Rs 3.53 crore) and PO dated April 2004 for IDR equipment (Rs 3.37 crore).

[°] Reduced value of PO of February 2004, March 2004 and April 2004 was Rs 5.43 crore, Rs 2.04 crore and Rs 3.23 crore respectively.

The Company incurred a cash loss (material cost - sale price) of Rs 1.25 crore in the PO of February 2004 due to reduction of price on extension of delivery. Further, due to delayed supplies the Company made a provision of Rs 1.24 crore for LD in the books out of which LD of Rs 39.40 lakh had been recovered by BSNL from the bills released till December 2006. The Company completed the supplies by February 2006.

The Management stated (June 2006) that there was no delay as PO of BSNL was received in February 2004 and order on ECIL for Antenna was placed in March 2004. As ECIL had to supply the antenna only after field trial and TAC approval by BSNL, the supplies from ECIL got delayed.

The reply of the Management was not acceptable as the APO (May 2003) of BSNL stipulated that the bidder must obtain TAC before commencement of supplies. Therefore, the Company should have initiated action immediately for procurement of materials required for TAC on receipt of the APO.

Thus, failure of the Company to initiate timely action on receipt of APO for procurement of materials and obtaining the required TAC led to delayed supplies. This resulted into cash loss of Rs 1.25 crore due to reduction in prices besides liability for payment of LD of Rs 1.24 crore (of which Rs 39.40 lakh had been paid).

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

## 5.2 Loss due to delay in inspection and supply

**Failure of the Company to provide required facilities for testing as agreed in the PO resulted in delay in inspection, supply and consequent levy of LD amounting to Rs 1.16 crore.**

The Company received (February 2002) a purchase order (PO) from the Mahanagar Telephone Nigam Limited (MTNL) Mumbai for supply of 6250 sets of WLL Subscriber Terminal (Terminals) along with antennae, feeder cables and other accessories at an all inclusive price of Rs 9.49 crore. The PO provided the following:

(i) Terminals should be offered for inspection within four weeks from the date of issue of the PO i.e. by 18 March 2002 and supplies should commence within eight weeks from the date of issue of the PO, i.e. 16 April 2002.

(ii) The test schedule for inspection would be mutually decided keeping in mind the facilities of testing & system design and in case the purchaser decided to conduct such tests on the premises of the supplier, all reasonable facilities and assistance like testing instruments and test gadgets shall be provided by the Company at no charge; and

(iii) MTNL was entitled to recover Liquidated Damages (LD) in case of delay.

To execute the order, the Company placed an order on its collaborators LG Electronics INC Korea (LG) for supply of 6250 Terminals with delivery in February 2002. The imported Terminals were offered for inspection at Bangalore on 18 March 2002 which were inspected by MTNL between 19 April and 23 April 2002. MTNL in its report (29 April 2002) indicated that certain tests could not be offered for inspection and some tests were to be shown at MTNL Mumbai with actual air interface.

The Company while assuring (May 2002) that the requirements of the tests which could not be offered due to non-availability of infrastructure equipment would be met, requested MTNL to give dispatch clearance on the ground that the same models had already been supplied under the same tender by LG to MTNL and were accepted by MTNL on the basis of self-certification. The request of the Company was not accepted (July 2002) by MTNL. The Company finally arranged for tests during September/October 2002 and completed the supplies by 15 November 2002. MTNL levied liquidated damages (LD) and recovered Rs 1.16 crore while releasing the payments. The request of the Company for waiver of L.D. was not accepted by MTNL.

The management stated (June 2006) that (i) bulk supplies were tested with the test instruments available with the Company; (ii) MTNL insisted on testing these in live network, which were available only with service providers; and (iii) the Company had to depend on MTNL network for further tests for which permission was given by MTNL only in September 2002.

The reply of the management is not tenable since, as per the terms of the PO, the Company was required to provide all reasonable facilities and assistance before the scheduled inspection but the Company could not offer some tests due to non-availability of infrastructure equipment. The Company, ultimately arranged for the testes did in September/October 2002. The failure of the Company to provide required facilities for testing as agreed in the PO, resulted in delay in inspection and supply and the consequent levy of LD amounting to Rs 1.16 crore.

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

## 5.3 Payment of electricity charges at higher rates

**Delay in segregating the commercial load from domestic load and inadequate follow up with UPPCL resulted in payment of electricity charges at higher rates and consequent avoidable expenditure of Rs 1.08 crore.**

Raebareli Unit of the Company contracted (October 1990) a load of 6,000 KVA (including 588 KVA for Company's township) from Uttar Pradesh State

Electricity Board (now Uttar Pradesh Power Corporation Limited (UPPCL)). The connection was a single point one without segregation of the load between industrial/commercial and domestic purposes. It did not have any separate metering arrangement for the residential load in the township, though separate meters were installed in the residences. Because of the mixed load, the Company had to pay for the entire power consumed (including power consumed for residential purposes in Company's township) at higher rate (HV-2) applicable to large and heavy consumers for industrial or processing purposes.

It was observed in Audit (June 2004) that the Company continued to pay higher rates for power consumed in the township to UPPCL but it recovered lower rates (LMV-1 rates) applicable to domestic consumption from its employees. On a request made by the Company (April 1998) to UPPCL to raise separate bills for the power used in its township, UPPCL advised (May 1998) the Company to enter into a separate contract for the township. The Company segregated the residential load from commercial load only by October 2004. In the meantime, the Company repeatedly requested UPPCL at the level of Executive Engineer and Deputy General Manager to provide a separate feeder for township but did not take it up at higher levels. It experienced inadequate response and delay on the part of UPPCL officers. Separate connection for township was yet to be established (July 2006) and the Company continued paying electricity charges at higher HV-2 rates[@] for electricity consumed by the township during the period October 2001 to March 2006 resulting in avoidable expenditure of Rs. 1.08 crore[#].

The Management stated (August 2005) that for billing purpose a separate feeder for township had to be provided by UPPCL and that the mixed load township had now been segregated and survey had been conducted by UPPCL for the purpose.

The delay in segregating the commercial load from domestic load and inadequate follow up with UPPCL resulted in payment of electricity charges at higher rates and consequent avoidable expenditure of Rs. 1.08 crore.

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

## 5.4 Delay in installation and consequential loss of interest

**Delay in supply/installation of the network management system valued at Rs 8 lakh resulted in non-realisation of Rs 1.27 crore for the last four years and consequential loss of interest of Rs 84.40 lakh.**

The Company received (January 1999) a purchase order from Radar & Communication Project Office (RCPO), Ministry of Defence, New Delhi, for

[@] LMV-1 rate ranged from Rs. 2.95 per unit to Rs.3.00 per unit and HV-2 rate ranged from Rs. 3.50 per unit to Rs. 3.75 per unit between October 2001 and March 2006.

[#] Based on the domestic consumption of township for 2005-06 after segregation of commercial load of school, shopping centres and post offices from residential quarters.

supply and installation of hardware and allied items in seven earth stations (with network connectivity at 13 sites) at an all inclusive price of Rs 4.98 crore. The supply and installation were to be completed within six months from the date of placement of order.

The Company completed the supplies during August 2000 to June 2002 with the exception of Network Management System (NMS) valued at Rs 8 lakh which was rejected (December 2000) by the customer as it was not as per the prescribed specifications. RCPO changed (July 2001) the requirement for the NMS and in view of the changed requirement; the Company decided (July 2002) to outsource the work of NMS and awarded (December 2002) the same to an outside supplier. Meanwhile, the Customer had withheld Rs 1.27 crore due to not installing/commissioning the network as provided in terms of the purchase order i.e. release of 25 *per cent* of payment only after installation, testing and commissioning.

Audit observed (March 2006) that the Company selected the outsourced supplier without properly verifying his credentials. Ultimately, the outsourced supplier failed to supply the NMS and wound up his business (October 2004). Meanwhile RCPO again changed (March 2004) its requirement for NMS. However, the matter of release of the remaining 25 *per cent* payment excluding NMS was not taken up with RCPO. The Company again started development of NMS in-house. The supply has not been completed so far (April 2006).

The Management stated (July 2006) that the Company's design for NMS was not accepted (December 2000) by the customer in respect of nine sites. The customer changed the specifications of NMS from customized hardware solution to PC based and the required hardware for these nine sites was arranged in November 2002 but the customer had made periodical modifications in the software, delaying the supply/project.

The reply of the management was not tenable as initially the Company had failed to supply and install the NMS as per specifications and the supplies were further delayed due to improper selection of outside supplier, resulting in non-realisation of Rs 1.27 crore for the last four years* from RCPO along with the consequential loss of interest of Rs 84.40 lakh as of March 2006.

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

* Reckoned from June 2002 when substantial supply was completed

# CHAPTER VI
# FOLLOW UP ON AUDIT REPORTS

## 6. Follow up on Audit Reports

The Public Accounts Committee (PAC) decided in 1982 that in order to ensure accountability of the executive in respect of all issues dealt with in various Audit Reports, the concerned Departments/Ministries should furnish final remedial/corrective action taken notes (ATNs) on all paragraphs contained therein.

PAC, while reiterating their earlier views in the Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, took a serious view of inordinate delays and failure to furnish ATNs within the prescribed time frame.

The Lok Sabha Secretariat also requested (July 1985) all the Ministries to furnish notes, (duly vetted by Audit) indicating remedial/corrective action taken by them on the various paragraphs/appraisals contained in the Reports of the Comptroller and Auditor General of India (Commercial) laid on the table of both the Houses of the Parliament. Such notes were required to be submitted even in respect of paragraphs / appraisals which were not selected by the Committee on Public Sector Undertakings (COPU) for detailed examination.

The, COPU in its Second Report (1998-99 Twelfth Lok Sabha), while reiterating the above instructions of July 1985 issued by the Lok Sabha Secretariat, recommended that follow-up action taken notes duly vetted by Audit in respect of all the Reports of Comptroller and Auditor General of India (Commercial) presented to Parliament, should be furnished to COPU within six months from the date of presentation of the relevant Audit Reports.

In the follow-up Action on the Reports of Comptroller and Auditor General of India (Commercial), COPU in its First Report (1999-2000 – Thirteenth Lok Sabha) reiterated its earlier recommendation that Department of Public Enterprises (DPE) should set up a separate Monitoring Cell in the DPE itself to monitor the follow up action by various Ministries / Departments on the observations contained in the Audit Reports (Commercial) on individual undertakings.

A review of ATNs relating to Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited under the administrative control of the Department of Telecommunications (Ministry of Communications and Information Technology) revealed that final ATNs in respect of 174 paragraphs, as detailed in Appendix -XXVII, were awaited as of October 2006.

C. V. Avadhani

**New Delhi**
**Dated :** 23 FEB 2007

**(C. V. AVADHANI)**
**Deputy Comptroller and Auditor General cum Chairman, Audit Board**

**Countersigned**

**New Delhi**
**Dated :** 26 FEB 2007

**(VIJAYENDRA N. KAUL)**
**Comptroller and Auditor General of India**

# Appendix

## Appendix I
### (Referred to in paragraph 2.1 at page 9)
### Statement showing the short charging of rentals commensurate with the enhanced equipped capacities of the exchanges

(Rs in lakh)

| Sl. No. | Name of SSA | Period of short billing | Amount of short billing | Amount realized | Amount to be recovered |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Andhra Pradesh Telecom Circle** | | | | | |
| 1. | Nizamabad | August 2004 to August 2005 | 6.21 | 0.00 | 6.21 |
| | | April 2003 to February 2006 | 51.94 | 0.00 | 51.94 |
| 2. | Karimnagar | March 2002 to September 2003 | 27.40 | 0.00 | 27.40 |
| 3. | Srikakulam | April 2003 to November 2005 | 56.07 | 0.00 | 56.07 |
| | | ***Sub total*** | ***141.62*** | ***0.00*** | ***141.62*** |
| **Utter Pradesh (East) Telecom Circle** | | | | | |
| 4. | Ballia | March 2004 to November 2005 | 36.17 | 0.00 | 36.17 |
| 5. | Farukhabad | April 2003 to December 2004 | 9.15 | 0.00 | 9.15 |
| | | ***Sub total*** | ***45.32*** | ***0.00*** | ***45.32*** |
| | | **Grand total** | **186.94** | **0.00** | **186.94** |

**Appendix II**
**(Referred to in paragraph 2.2 at page 11 )**
**Continuation of telephone facilities despite non-payment of dues**

(Rs in lakh)

| Sl. No. | Particulars of lines/ cables/circuits | Period of short/non-recovery | Total amount of short/non-recovery | Particulars of recovery made after issue of Audit Note | |
|---|---|---|---|---|---|
| | | | | Amount recovered | Amount to be recovered |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Bihar Telecom Circle** | | | | | |
| 1 | 567 telephone subscribers under General Manager Telecom District Bhagalpur | March 2000 to September 2005 | 75.85 | 0.00 | 75.85 |
| 2 | 260 telephone subscribers under TDM Motihari | November 2000 to December 2005 | 42.26 | 0.00 | 42.26 |
| 3 | 150 telephone subscribers under TDM Samastipur | April 2004 to December 2005 | 60.63 | 0.00 | 60.63 |
| 4 | 103 telephone subscribers under GMTD Chapra | April 2004 to December 2005 | 66.56 | 0.00 | 66.56 |
| 5 | 341 STD PCO operators under TDM Motihari | January 2001 to December 2005 | 36.27 | 0.00 | 36.27 |
| 6 | 12 STD PCO operators under TDM Samastipur | April 2004 to December 2005 | 5.35 | 0.00 | 5.35 |
| 7 | 285 Pay phone subscribers under GMTD Bhagalpur | August 2004 to October 2005 | 32.81 | 0.00 | 32.81 |
| | | ***Sub total*** | ***319.73*** | ***0.00*** | ***319.73*** |
| **Jharkhand Telecom Circle** | | | | | |
| 8 | 23 various telephone subscribers in GMTD Ranchi | September 1996 to March 2005 | 70.44 | 0.00 | 70.44 |
| 9 | 338 telephone subscribers under GMTD Jamshedpur | April 2005 to December 2005 | 31.77 | 0.00 | 31.77 |
| 10 | 141 STD PCO Operstors under GMTD Jamshedpur | April 2005 to December 2005 | 20.05 | 0.00 | 20.05 |
| 11 | 37 STD PCO operators under TDM Daltonganj | April 2002 to December 2005 | 21.32 | 0.00 | 21.32 |
| | | ***Sub total*** | ***143.58*** | ***0.00*** | ***143.58*** |
| **Karnataka Telecom Circle** | | | | | |
| 12 | 498 Telephone subscribers under GMTD Hubli | September 1997 to November 2005 | 124.86 | 0.00 | 124.86 |
| | | ***Sub total*** | ***124.86*** | ***0.00*** | ***124.86*** |
| **Rajasthan Telecom Circle** | | | | | |
| 13 | 211 Telephone subscribers under GMTD Alwar | May 2001 to November 2004 | 16.29 | 7.18 | 9.11 |
| 14 | 252 Telephone subscribers under GMTD Sriganganagar | July 2003 to November 2004 | 20.76 | 8.38 | 12.38 |

| Sl. No. | Particulars of lines/ cables/circuits | Period of short/non-recovery | Total amount of short/non-recovery | Particulars of recovery made after issue of Audit Note | |
|---|---|---|---|---|---|
| | | | | Amount recovered | Amount to be recovered |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 15 | 108 Telephone subscribers under TDM Chittorgarh | July 2001 to July 2004 | 8.89 | 3.76 | 5.13 |
| 16 | 181 Telephone subscribers under GMTD Udaipur | March 2001 to March 2004 | 12.89 | 6.90 | 5.99 |
| 17 | 1166 Telephone subscribers and 52 STD/PCO provided by PGMTD, Jaipur | March 1997 to September 2004 | 112.63 | 52.18 | 60.45 |
| | | ***Sub-total*** | ***171.46*** | ***78.40*** | ***93.06*** |
| **Uttar Pradesh (East) Telecom Circle** | | | | | |
| 18 | 118 STD PCO operators under GMTD Faizabad | October 2000 to February 2006 | 26.60 | 0.00 | 26.60 |
| 19 | 94 STD PCO Operators under GMTD Allahabad | October 2000 to February 2006 | 16.72 | 0.00 | 16.72 |
| 20 | 579 STD PCO Operators under GMTD Kanpur | June 1996 to March 2005 | 48.88 | 0.00 | 48.88 |
| | | ***Sub total*** | ***92.20*** | ***0.00*** | ***92.20*** |
| **Uttar Pradesh (West ) Telecom Circle** | | | | | |
| 21 | 40 STD PCO Operators under GMTD Muzzafar Nagar | June 2002 to February 2005 | 6.18 | 0.00 | 6.18 |
| 22 | 123 STD PCO Operators under GMTD Moradabad | October 2000 to February 2006 | 18.37 | 0.00 | 18.37 |
| 23 | 236 STD PCO Operators under GMTD Noida | September 1998 to December 2005 | 51.62 | 0.00 | 51.62 |
| | | ***Sub total*** | ***76.17*** | ***0.00*** | ***76.17*** |
| | | **Grand Total** | **928.00** | **78.40** | **849.60** |

**Appendix III**
**(Referred to in paragraph 2.3 at page 11)**
**Non-billing due to non-receipt of completed advice notes**

**(Rs in lakh)**

| Sl. No. | Particulars of lines/cables circuits | Period and amount of bills not issued due to non-receipt of Advice Notes | | Particulars of recovery made after issue of audit observation | |
|---|---|---|---|---|---|
| | | Period | Amount | Amount recovered | Amount to be recovered |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Bihar Telecom Circle** | | | | | |
| 1. | Provision of speech circuits and Hotline to Railways, LIC and Central Bank by GMTD Chapra | December 2002 to January 2006 | 14.63 | 0.00 | 14.63 |
| 2. | Provision of data circuits and DID facility to Railways by TDM Samstipur | September 2003 to September 2006 | 5.03 | 0.00 | 5.03 |
| | | ***Sub-total*** | ***19.66*** | ***0.00*** | ***19.66*** |
| **Gujarat Telecom Circle** | | | | | |
| 3. | Provision of 512 Kbps circuit in respect of M/s Sanchar Telenet by GMTD, Bhavnagar | December 2001 to March 2005 | 23.27 | 19.63 | 3.64 |
| 4. | Provision of 2 Mb circuit GMTD, Bhavnagar in respect of M/s Birla AT&T Communications | December 2001 to December 2003 | 8.36 | 1.69 | 6.67 |
| 5. | Provision of 2 MB circuit by GMTD, Bhavnagar in respect of M/s Fascel Ltd. | November 2002 to November 2003 | 7.25 | 0.00 | 7.25 |
| 6. | Provision of 2 MB circuit by GMTD, Bhavnagar in respect of M/s Fascel Ltd. | October 2002 to November 2003 | 8.70 | 8.70 * | 0.00 |
| 7. | Provision of 2 MB circuit by GMTD, Bhavnagar in respect of M/ Fascel Ltd. | November 2002 to November 2003 | 8.70 | 8.70 * | 0.00 |
| 8. | Provision of 2 Mb circuit GMTD, Bhavnagar in respect of M/s Birla AT&T Communications | May 2002 to May 2003 | 8.33 | 5.64 | 2.69 |
| 9. | Provision of special circuit to M/s Mardia Chemicals Ltd by GMTD Surendernagar | July 2001 to July 2002 | 0.49 | 0.00 | 0.49 |
| 10. | Provision of 2 Mbps circuit to M/s Fascel Ltd. By GMTD Surendernagar | January 2003 to January 2004 | 3.75 | 3.75 | 0.00 |

* Actually recovered Rs 11.29 lakh up to March 2004 and the circuits were closed on 31 March 2004.

| Sl. No. | Particulars of lines/cables circuits | Period and amount of bills not issued due to non-receipt of Advice Notes | | Particulars of recovery made after issue of audit observation | |
|---|---|---|---|---|---|
| | | Period | Amount | Amount recovered | Amount to be recovered |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 11. | Provision of 2 Mbps circuit to M/s Birla AT&T Communication Ltd by GMTD Surendernagar | April 2003 to April 2004 | 3.77 | 3.77 | 0.00 |
| 12. | Provision of Special circuit to Rana Ramdevsingh by GMTD Surendernagar | January 2003 to January 2004 | 1.17 | 0.90 | 0.27 |
| 13. | Provision of 64 Kbps circuit to Dena Bank by Gandhinagar SSA | March 2005 to March 2006 | 1.22 | 1.22 | 0.00 |
| 14. | Provision of 64 Kbps to VSNL by Gandhinagar SSA | February 2005 to March 2006 | 1.78 | 1.78 | 0.00 |
| | | ***Sub-total*** | ***76.79*** | ***55.78*** | ***21.01*** |
| **Rajasthan Telecom Circle** | | | | | |
| 15. | Provision of point of interconnection ports to Shyam Telelinks and Aircell (Hutch) by GMTD Jhunjhunu | December 2003 to December 2006 | 4.40 | 0.00 | 4.40 |
| 16. | Provision of point of interconnection ports to Reliance Infocom by GMTD Jhunjhunu | July 2004 to November 2006 | 9.85 | 0.00 | 9.85 |
| | | ***Sub-total*** | ***14.25*** | ***0.00*** | ***14.25*** |
| | | **Grand Total** | **110.70** | **55.78** | **54.92** |

## Appendix IV

**(Referred to in paragraph 2.5 at page 13)**

**Statement showing SSA-wise loss of revenue due to delayed implementation/non-implementation of revised pulse rates under the West Bengal Telecom Circle**

**(Amount in Rupees)**

| Sl. No. | Name of SSA | Period of non implementation | Total No. of metered calls | Actual no. of calls if change or pulse rate were implemented | Bill amount | Actual amount to be billed | Amount short charged [col. 7-6] |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | Suri | 01.01.2005 to 31.01.2005 | 2,95,974 | 4,43,961 | 3,61,841 | 8,87,922 | **5,26,081** |
| 2. | Durgapur | 01.09.2004 to 31.12.2004 | 16,68,190 | 33,36,380 | 21,04,140 | 40,03,656 | **18,99,515** |
| | | | | **Total** | **24,65,981** | **48,91,578** | **24,25,596** |

## Appendix V
### (Referred to in paragraph 2.7 at page 16)
### Consolidated statement showing interest recoverable on delay in payment of interconnection usage charges by the private operators

(Rs in lakh)

| Sl. No. | Name of the private service operator | Number of bills on which delay in payment occurred | Periodicity of the bills involved [Bill dates] | Range of delay | Amount of the bill paid | Amount of the interest for delay in payment |
|---|---|---|---|---|---|---|
| **Andhra Pradesh Telecom Circle** | | | | | | |
| | | | **Mehboobnagar SSA** | | | |
| 1 | IDEA Cellular Limited | 7 | 20 June 2003 to 21 December 2004 | 71 to 167 days | 8.91 | 0.57 |
| 2 | BML | 4 | 20 September to 21 December 2003 | 71 to 163 days | 6.18 | 0.46 |
| 3 | Tata Teleservices Limited | 3 | 18 February to 20 Aprii 2003 | 91 to 152 days | 1.97 | 0.15 |
| 4 | Reliance Infocom Limited | 8 | 21 August 2003 to 21 March 2004 | 52 to 180 days | 52.42 | 2.75 |
| 5 | BTL | 2 | 21 March & 21 May 2004 | 68 & 73 days | 4.73 | 0.22 |
| | ***Sub-total*** | ***24*** | | | ***74.21*** | ***4.15*** |
| | | | **Sangareddy SSA** | | | |
| 6 | Bharathi Cellular Limited | 7 | 1 May to 1 November 2004 | 34 to 59 days | 23.54 | 0.75 |
| 7 | Tata Teleservices Limited | 3 | 5 August 2004 to 1 February 2005 | 44 to 239 days | 17.53 | 2.07 |
| 8 | Videsh Sanchar Nigam Limited | 5 | 5 June 2004 to 1 March 2005 | 32 to 295 days | 3.83 | 0.27 |
| 9 | Reliance Infocom Limited | 7 | 1 May to 1 December 2004 | 52 to 193 days | 46.75 | 3.76 |
| 10 | IDEA Cellular Limited | 7 | 1 May 2004 to 1 April 2005 | 50 to 123 days | 9.51 | 0.45 |
| | ***Sub-total*** | ***29*** | | | ***101.16*** | ***7.30*** |
| | | | **Srikakulam SSA** | | | |
| 11 | Reliance Infocom Limited | 2 | 4 October & 4 November 2004 | 24 & 114 days | 5.09 | 0.20 |
| 12 | IDEA Cellular Limited | 5 | 5 May to 5 December 2004 | 33 to 84 days | 6.93 | 0.24 |
| 13 | BML | 1 | 01-Jan-05 | 46 days | 1.78 | 0.06 |
| | ***Sub-total*** | ***8*** | | | ***13.80*** | ***0.50*** |
| | **Total** | **61** | | | **189.17** | **11.95** |

| Sl. No. | Name of the private service operator | Number of bills on which delay in payment occurred | Periodicity of the bills involved [Bill dates] | Range of delay | Amount of the bill paid | Amount of the interest for delay in payment |
|---|---|---|---|---|---|---|
| **Gujarat Telecom Circle** | | | | | | |
| | | | **Mehsana SSA** | | | |
| 14 | Reliance Infocom Limited | 14 | 4 September 2003 to 5 August 2004 | 4 to 36 days | 197.63 | 2.30 |
| | ***Sub-total*** | ***14*** | | | ***197.63*** | ***2.30*** |
| | | | **Bhavnagar SSA** | | | |
| 15 | Reliance Infocom Limited | 15 | 1 March to 1 July 2004 | 31 to 91 days | 46.54 | 1.64 |
| 16 | Tata Teleservices Limited | 4 | 1 May & June 2004 | 49 & 88 days | 6.05 | 0.27 |
| | ***Sub-total*** | ***19*** | | | ***52.59*** | ***1.91*** |
| | | | **Valsad SSA** | | | |
| 17 | Reliance Infocom Limited | 58 | 11 September 2003 to 19 August 2004 | 20 to 266 days | 240.29 | 10.49 |
| | ***Sub-total*** | ***58*** | | | ***240.29*** | ***10.49*** |
| | | | **Bharuch SSA** | | | |
| 18 | Reliance Infocom Limited | 58 | 17 October 2003 to 16 October 2004 | 3 to 258 days | 239.75 | 6.74 |
| 19 | Videsh Sanchar Nigam Limited | 5 | 11 September 2004 to 11 May 2005 | 42 to 88 days | 9.13 | 0.38 |
| | ***Sub-total*** | ***63*** | | | ***248.88*** | ***7.12*** |
| | **Total** | **154** | | | **739.39** | **21.82** |
| **Kerala Telecom Circle** | | | | | | |
| | | | **Ernakulam SSA** | | | |
| 20 | Reliance Infocom Limited | 5 | 5 January to 31 March 2005 | 120 to 262 days | 102.59 | 16.30 |
| 21 | Videsh Sanchar Nigam Limited | 1 | 10-May-05 | 1 day | 79.33 | 0.03 |
| 22 | Videsh Sanchar Nigam Limited | 4 | 10 May to 10 August 2005 | 1 to 37 days | 416.70 | 0.83 |
| 23 | Reliance Infocom Limited | 1 | 10-Jun-05 | 4 days | 60.00 | 0.09 |
| | ***Sub-total*** | ***11*** | | | ***658.62*** | ***17.25*** |
| | | | **Calicut SSA** | | | |
| 24 | Reliance Infocom Limited | 17 | 6 June 2003 to 6 March 2005 | 2 to 40 days | 1106.15 | 5.18 |
| 25 | BPL | 22 | 6 June 2003 to 6 March 2005 | 32 to 112 days | 137.41 | 14.82 |

| Sl. No. | Name of the private service operator | Number of bills on which delay in payment occurred | Periodicity of the bills involved [Bill dates] | Range of delay | Amount of the bill paid | Amount of the interest for delay in payment |
|---|---|---|---|---|---|---|
| 26 | Videsh Sanchar Nigam Limited | 8 | 6 October 2004 to 6 May 2005 | 21 to 71 days | 193.72 | 4.03 |
| | ***Sub-total*** | ***47*** | | | ***1437.28*** | ***24.03*** |
| | | | **Trivandrum SSA** | | | |
| 27 | Videsh Sanchar Nigam Limited | 13 | 10 May 2004 to 18 January 2005 | 2 to 175 days | 698.57 | 11.62 |
| 28 | Reliance Infocom Limited | 12 | 10 May 2004 to 18 January 2005 | 2 to 97 days | 621.37 | 7.82 |
| 29 | Bharathi Cellular Limited | 15 | 10 May 2004 to 22 February 2005 | 1 to 4 days | 2300.53 | 2.38 |
| 30 | Videsh Sanchar Nigam Limited | 4 | 18 October 2005 to 18 January 2006 | 31 to 54 days | 14.52 | 0.47 |
| 31 | BPL | 3 | 18 October to 14 December 2005 | 35 to 64 days | 104.77 | 3.23 |
| 32 | Bharathi Cellular Limited | 2 | 25 November to 14 December 2005 | 2 to 6 days | 198.63 | 0.15 |
| 33 | Tata Telecom Limited | 2 | 18 October to 14 December 2005 | 7 to 10 days | 139.68 | 0.44 |
| | ***Sub-total*** | ***51*** | | | ***4078.07*** | ***26.11*** |
| | **Total** | **109** | | | **6173.97** | **67.39** |
| **Orissa Telecom Circle** | | | | | | |
| | | | **Cuttack SSA** | | | |
| 34 | Reliance Infocom Limited | 15 | 3 September 2003 to 3 November 2004 | 64 to 524 days | 339.18 | 57.58 |
| | ***Sub-total*** | ***15*** | | | ***339.18*** | ***57.58*** |
| | | | **Bhubaneshwar SSA** | | | |
| 35 | Reliance Infocom Limited | 83 | 13 June 2003 to 9 March 2005 | 1 to 362 days | 811.35 | 24.16 |
| 36 | Videsh Sanchar Nigam Limited | 5 | 9 January to 9 February 2005 | 11 to 12 days | 14.23 | 0.08 |
| | ***Sub-total*** | ***88*** | | | ***825.58*** | ***24.24*** |
| | | | **Rourkela SSA** | | | |
| 37 | Reliance Infocom Limited | 8 | December 2003 to September 2004 | 2 to 75 days | 58.48 | 1.09 |
| | ***Sub-total*** | ***8*** | | | ***58.48*** | ***1.09*** |

| Sl. No. | Name of the private service operator | Number of bills on which delay in payment occurred | Periodicity of the bills involved [Bill dates] | Range of delay | Amount of the bill paid | Amount of the interest for delay in payment |
|---|---|---|---|---|---|---|
| **DGM (ETR), Bhubaneshwar** | | | | | | |
| 38 | Reliance Infocom Limited | 5 | 21 December 2004 to 10 May 2005 | 76 to 181 days | 214.59 | 17.69 |
| 39 | Reliance Infocom Limited | 4 | 10 June to 12 September 2005 | 130 to 168 days | 149.13 | 14.77 |
| | ***Sub-total*** | ***9*** | | | ***363.72*** | ***32.46*** |
| | **Total** | **120** | | | **1586.96** | **115.37** |
| **Rajasthan Telecom Circle** | | | | | | |
| **Alwar SSA** | | | | | | |
| 40 | Aircell Digital Limited | 16 | 4 February 2004 to 3 June 2005 | 1 to 62 days | 22.50 | 0.18 |
| 41 | Bharati Telenet Limited | 10 | 3 September 2004 to 3 June 2005 | 2 to 9 days | 13.07 | 0.03 |
| 42 | Reliance Infocom Limited | 54 | 1 July 2003 to 3 June 2005 | 1 to 90 days | 102.32 | 1.02 |
| 43 | Shyam Telelink Limited | 160 | 9 March 2002 to 3 June 2005 | 3 to 198 days | 663.77 | 17.63 |
| 44 | Videsh Sanchar Nigam Limited | 10 | 3 September 2004 to 3 June 2005 | 11 to 157 days | 6.24 | 0.17 |
| 45 | Aircell Digital Limited | 3 | 3 July to 3 September 2005 | 5 to 26 days | 6.90 | 0.04 |
| 46 | Bharati Telenet Limited | 3 | 3 July to 3 September 2005 | 7 to 51 days | 3.77 | 0.06 |
| 47 | Reliance Infocom Limited | 12 | 3 July to 3 September 2005 | 7 to 26 days | 24.45 | 0.17 |
| 48 | Shyam Telelink Limited | 18 | 3 July to 3 September 2005 | 41 to 56 days | 70.78 | 1.83 |
| 49 | Videsh Sanchar Nigam Limited | 3 | 3 July to 3 September 2005 | 15 to 95 days | 2.48 | 0.09 |
| | ***Sub-total*** | ***289*** | | | ***916.28*** | ***21.22*** |
| **Jhunjhunu SSA** | | | | | | |
| 50 | Aircell Digital Limited | 1 | Feb-05 | 28 days | 0.85 | 0.01 |
| 51 | Hexacom | 9 | July 2003 to April 2005 | 1 to 48 days | 19.56 | 0.10 |
| 52 | Reliance Infocom Limited | 69 | 26 August 2003 to 20 June 2005 | 2 to 438 days | 84.91 | 3.24 |
| 53 | Shyam Telelink Limited | 17 | 13 December 2004 to 20 June 2005 | 12 to 130 days | 32.60 | 0.78 |
| 54 | Videsh Sanchar Nigam Limited | 4 | 25 January to 20 June 2005 | 7 to 25 days | 13.56 | 0.10 |

| Sl. No. | Name of the private service operator | Number of bills on which delay in payment occurred | Periodicity of the bills involved [Bill dates] | Range of delay | Amount of the bill paid | Amount of the interest for delay in payment |
|---|---|---|---|---|---|---|
| 55 | Reliance Infocom Limited | 8 | May to August 2005 | 11 to 20 days | 16.28 | 0.10 |
| 56 | Shyam Telelink Limited | 10 | May to August 2005 | 27 to 90 days | 24.06 | 1.08 |
| 57 | Videsh Sanchar Nigam Limited | 2 | May to July 2005 | 20 to 23 days | 9.28 | 0.08 |
| | ***Sub-total*** | ***120*** | | | ***201.10*** | ***5.49*** |
| | **Sikar SSA** | | | | | |
| 58 | Shyam Telelink Limited | 43 | 7 August 2003 to 5 April 2005 | 15 to 170 days | 81.79 | 2.94 |
| | ***Sub-total*** | ***43*** | | | ***81.79*** | ***2.94*** |
| | **Total** | **452** | | | **1199.17** | **29.65** |
| | **Grand Total** | **896** | | | **9888.66** | **246.18** |

## Appendix VI
### (Referred to in paragraph 2.7 at page 16)
### Consolidated statement showing non-payment of interconnection usage charges by the private operators

(Rs in lakh)

| Sl. No. | Name of the private service operator | Number of bills on which delay in payment occurred | Periodicity of the bills involved [Bill dates] | Range of delay as of 31 January 2006 | Amount of the bill not paid |
|---|---|---|---|---|---|
| **Kerala Telecom Circle** | | | | | |
| | | **Trivandrum SSA** | | | |
| 1 | Bharathi Cellular Limited | 1 | February to April 2004 | 529 days | 17.20 |
| | ***Sub-total*** | *1* | | | *17.20* |
| | **Total** | **1** | | | **17.20** |
| **Rajasthan Telecom Circle** | | | | | |
| | | **Alwar SSA** | | | |
| 2 | Aircell Digital Limited | 1 | April 2005 | 350 days | 2.25 |
| 3 | Reliance Infocom Limited | 2 | April 2005 | 350 days | 4.63 |
| | ***Sub-total*** | *3* | | | *6.88* |
| | | **Jhalawar SSA** | | | |
| 4 | Aircell Digital Limited | 10 | 10 October 2004 to 10 August 2005 | 97 to 401 days | 2.15 |
| 5 | Shyam Telelink Limited | 15 | 10 October 2004 to 10 August 2005 | 97 to 401 days | 0.11 |
| 6 | Videsh Sanchar Nigam Limited | 19 | 10 March to 10 August 2005 | 97 to 250 days | 1.53 |
| | ***Sub-total*** | *44* | | | *3.79* |
| | | **Jhunjhunu SSA** | | | |
| 7 | Reliance Infocom Limited | 2 | October 2003 & September 2004 | 489 to 785 days | 8.41 |
| 8 | Shyam Telelink Limited | 22 | January 2004 to August 2005 | 114 to 706 days | 12.95 |
| 9 | Videsh Sanchar Nigam Limited | 8 | December 2004 to August 2005 | 111 to 405 days | 13.78 |
| | ***Sub-total*** | *32* | | | *35.14* |
| | **Total** | **79** | | | **45.81** |
| | **Grand Total** | **80** | | | **63.01** |

# Appendix VII
## (Referred to in paragraph 2.8 at page 17)
## Non-billing of infrastructure charges for passive links

(Rs. in lakh)

| Sl. No | Particulars of passive links provided | Period of non-recovery | Total amount of non-recovery | Particular of recovery made after issue of audit observation | |
|---|---|---|---|---|---|
| | | | | Amount recovered | Amount to be recovered |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Andhra Pradesh Telecom Circle** | | | | | |
| 1. | Provision of infrastructural facilities for passive links to private service providers by GMTD Nellore | October 2002 to March 2006 | 11.65 | 0.00 | 11.65 |
| 2. | Provision of infrastructural facilities for passive links to private service providers by GMTD Tirupathi | March 2001 to March 2006 | 33.37 | 23.74 | 9.63 |
| 3. | Provision of infrastructural facilities for passive links to private service providers by GMTD Sangareddy | March 2003 to May 2006 | 7.64 | 0.60 | 7.04 |
| 4. | Provision of infrastructural facilities for passive links to private service providers by GMTD Sirikakulam | October 2001 to December 2006 | 9.90 | 0.00 | 9.90 |
| | | ***Sub-total*** | ***62.56*** | ***24.34*** | ***38.22*** |
| **Gujarat Telecom Circle** | | | | | |
| 5. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMTD, Bhavnagar | November 2002 to March 2006 | 34.33 | 18.32 | 16.01 |
| | | ***Sub-total*** | ***34.33*** | ***18.32*** | ***16.01*** |
| **Haryana Telecom Circle** | | | | | |
| 6. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Rohtak | June 2002 to September 2006 | 17.45 | 0.00 | 17.45 |
| 7. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Hissar | September 2002 to June 2006 | 21.97 | 0.00 | 21.97 |
| | | ***Sub-total*** | ***39.42*** | ***0.00*** | ***39.42*** |

| Sl. No | Particulars of passive links provided | Period of non-recovery | Total amount of non-recovery | Particular of recovery made after issue of audit observation | |
|---|---|---|---|---|---|
| | | | | Amount recovered | Amount to be recovered |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Maharashtra Telecom Circle** | | | | | |
| 8. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by PGMTD Pune | December 2002 to March 2006 | 69.46 | 0.00 | 69.46 |
| 9. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Ahmednagar | March 2003 to March 2006 | 8.60 | 0.00 | 8.60 |
| 10. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Osmanabad | October 2001 to March 2006 | 6.39 | 0.00 | 6.39 |
| 11. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Kohlapur | August 2003 to March 2006 | 4.59 | 0.00 | 4.59 |
| | | ***Sub-total*** | ***89.04*** | ***0.00*** | ***89.04*** |
| **Punjab Telecom Circle** | | | | | |
| 12. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Amritsar | June 2004 to May 2005 | 12.70 | 6.09 | 6.61 |
| | | ***Sub-total*** | ***12.70*** | ***6.09*** | ***6.61*** |
| **Tamil Nadu Telecom Circle** | | | | | |
| 13. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. by GMT Cuddalore | July 2003 to March 2006 | 4.50 | 0.00 | 4.50 |
| 14. | Provision of infrastructural facilities for passive links to M/s Reliance Infocom Ltd. and M/s Tata Teleservices by GMT Salem | July 2003 to March 2006 | 16.95 | 0.00 | 16.95 |
| | | ***Sub-total*** | ***21.45*** | ***0.00*** | ***21.45*** |
| | | **Grand Total** | **259.50** | **48.75** | **210.75** |

## Appendix VIII
**(Referred to in paragraph 2.9 at page 18)**
**Statement showing non-billing of interconnect licence fees**

**(Rs in lakh)**

| Sl. No. | Name of SSA | Period of non-billing | Amount of non-billing | Bills issued for the amount of |
|---|---|---|---|---|
| 1. | Adilabad | December 2004 to December 2005 | 22.04 | 0.00 |
| 2. | Khamam | November 2004 to November 2006 | 26.45 | 24.00 |
| 3. | Kurnool | July 2005 to July 2006 | 26.45 | 24.00 |
| 4. | Nizamabad | February 2005 to February 2006 | 17.63 | 15.00 |
| 5. | Visakhapatanam | June 2005 to June 2006 | 17.63 | 0.00 |
| 6. | Vizianagram | June 2004 to March 2006 | 24.44 | 0.00 |
| | | **Total** | **134.64** | **63.00** |

## Appendix IX
**(Referred to in paragraph 2.10 at page 19)**
**Statement showing non/short billing of port charges**

(Rs in lakh)

| S.No. | Name of the SSA/Circle | Period of non/short billing | Non billing | Short billing | Total amount of non/short billing | Amount realized | Amount to be realized |
|---|---|---|---|---|---|---|---|
| **Andhra Pradesh Telecom Circle** | | | | | | | |
| 1. | Nalgonda | January 2004 to July 2006 | 22.78 | ----- | 22.78 | 20.58 | 2.20 |
| 2. | Nellore | May 2004 to March 2005 | 10.20 | ----- | 10.20 | 2.41 | 7.79 |
| 3. | Srikakulam | October 2003 to December 2006 | 11.55 | ----- | 11.55 | 0.00 | 11.55 |
| | | ***Sub-total*** | ***44.53*** | ***0.00*** | ***44.53*** | ***22.99*** | ***21.54*** |
| **Gujarat Telecom Circle** | | | | | | | |
| 4. | Bhavnagar | November 2001 to March 2005 | 7.87 | ---- | 7.87 | 0.00 | 7.87 |
| 5. | Rajkot | April 2005 to March 2006 | ---- | 1.75 | 1.75 | 0.00 | 1.75 |
| 6. | Vadodara | April 2005 to March 2006 | ---- | 10.50 | 10.50 | 10.50 | 0.00 |
| | | ***Sub-total*** | ***7.87*** | ***12.25*** | ***20.12*** | ***10.50*** | ***9.62*** |
| **Tamil Nadu Telecom Circle** | | | | | | | |
| 7. | Coimbatore | April 2005 to March 2006 | 6.85 | ---- | 6.85 | 5.49 | 1.36 |
| 8. | Coonoor | February 2005 to March 2006 | 15.54 | ---- | 15.54 | 14.00 | 1.54 |
| 9. | Salem | June 2004 to March 2006 | 16.82 | ---- | 16.82 | 0.00 | 16.82 |
| 10. | Tirunelveli | November 2005 to March 2006 | 1.01 | ---- | 1.01 | 1.01 | 0.00 |
| | | ***Sub-total*** | ***40.22*** | ---- | ***40.22*** | ***20.50*** | ***19.72*** |
| | | **Grand Total** | **92.62** | **12.25** | **104.87** | **53.99** | **50.88** |

## Appendix X

### (Referred to in paragraph 2.12 at page 21)

### Non-realization of ad-hoc annual recurring charges from private operators for sharing infrastructure in three SSAs in the Tamil Nadu Telecom Circle

(Amount in Rupees)

| Sl. No. | Particulars of lines/cables/ circuits | Ad-hoc annual recurring charges from private operators for sharing infrastructure: As pointed out by Audit | | Particulars of recovery made after being pointed out in Audit | Amount to be recovered |
|---|---|---|---|---|---|
| | | Period | Amount | | |
| **Dhrmapuri SSA** | | | | | |
| 1. | STM-I provided to M/s.Reliance Infocomm Ltd | 25/7/04 to 31/3/07 | 22,34,548 | 10,45,900 | 11,88,648 |
| 2. | STM-I provided to M/s.Tata Teleservices | 1/4/06 to 31/3/07 | 10,00,000 | 0.00 | 10,00,000 |
| 3. | STM-I provided to M/s.VSNL | 21/2/06 to 20/2/07 | 10,00,000 | 0.00 | 10,00,000 |
| 4. | STM-I provided to M/s.Bharathi Tele Net Ltd | 1/4/06 to 31/3/07 | 10,00,000 | 0.00 | 10,00,000 |
| | | ***Sub-total*** | ***52,34,548*** | ***10,45,900*** | ***41,88,648*** |
| **Erode SSA** | | | | | |
| 5. | Visakhapatanam | June 2005 to June 2006 | | 17.63 | 0.00 |
| 6. | STM-I provided to M/s.Bharati Telesonic Ltd | 12/3/04 to 11/3/05 | 1,07,528 | 1,07,528 | 0.00 |
| 7. | STM-I provided to M/s.Bharati Cellular Ltd | 1/12/05 to 30/4/06 | 4,59,166 | 3,25,375 | 1,33,791 |
| 8. | STM-I provided to M/s.Bharati Telesonic Ltd | 12/3/04 to 11/3/05 | 1,07,528 | 1,07,528 | 0.00 |
| | | ***Sub-total*** | ***5,66,696*** | ***4,32,903*** | ***1,33,791*** |
| **Nagercoil SSA** | | | | | |
| 9. | STM-I provided to M/s.Tata Teleservices Ltd | 10/6/05 to 9/6/06 | 10,00,000 | 0.00 | 10,00,000 |
| 10. | STM-I provided to M/s.VSNL | 29/10/05 to 31/3/07 | 10,00,000 | 0.00 | 10,00,000 |
| | | ***Sub-total*** | ***20,00,000*** | ***0.00*** | ***20,00,000*** |
| | | **Grand Total** | **78,01,244** | **14,78,803** | **63,22,441** |

## Appendix XI

**(Referred to in paragraph 2.15 at page 23)**

**Statement showing non-billing of rental in respect of leased circuits.**

**(Rs in lakh)**

| S.No | Name of the Circle/SSA | Particulars | Period of non-billing | Non-billing | Amount realized | Amount to be realized |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Chhattisgarh Telecom Circle** | | | | | | |
| 1. | General Manager Telecom, Raipur | 14 leased circuits provided to various subscribers | May 2003 to August 2006 | 54.66 | 0.00 | 54.66 |
| | | | ***Sub-total*** | ***54.66*** | ***0.00*** | ***54.66*** |
| **Kerala Telecom Circle** | | | | | | |
| 2. | Principal General Manager Telecom, Ernakulam | 78 leased circuits provided to various subscribers | May 2005 to December 2006 | 29.80 | 0.00 | 29.80 |
| | | | ***Sub-total*** | ***29.80*** | ***0.00*** | ***29.80*** |
| **Madhya Pradesh Telecom Circle** | | | | | | |
| 3. | General Manager Telecom, Indore | 11 leased circuits provided to various subscribers | February 2004 to February 2005 | 10.04 | 0.00 | 10.04 |
| | | | ***Sub-total*** | ***10.04*** | ***0.00*** | ***10.04*** |
| **Maharashtra Telecom Circle** | | | | | | |
| 4. | General Manager, Chandrapur | 10 Hotline data circuits and 15 data circuits | October 2002 to April 2006 | 24.06 | 0.00 | 24.06 |
| 5. | General Manager, Nanded | 39 data circuits and 9 ports | April 2005 to March 2006 | 48.45 | 39.87 | 8.58 |
| | | | ***Sub-total*** | ***72.51*** | ***39.87*** | ***32.64*** |

| S.No | Name of the Circle/SSA | Particulars | Period of non-billing | Non-billing | Amount realized | Amount to be realized |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Rajasthan Telecom Circle** | | | | | | |
| 6. | General Manager Telecom District Bikaner | 27 leased data circuits to various subscribers | January 2005 to August 2006 | 16.07 | 16.07 | 0.00 |
| 7. | General Manager Telecom District Bhilwara | Leased data circuit provided to M/s Apollo Tyres Ltd. | January 2004 to March 2006 | 1.11 | 1.11 | 0.00 |
| 8. | Principal General Manager Telecom, Jaipur | 96 leased circuits to various subscribers | January 2005 to February 2007 | 34.99 | 30.47 | 4.52 |
| | | | ***Sub-total*** | ***52.17*** | ***47.65*** | ***4.52*** |
| **Uttaranchal Telecom Circle** | | | | | | |
| 9. | General Manager Telecom District Haridwar | 16 leased circuits to various subscriber | May 2004 to September 2006 | 5.39 | 5.37 | 0.02 |
| | | | ***Sub-total*** | ***5.39*** | ***5.37*** | ***0.02*** |
| **Uttar Pradesh (West) Telecom Circle** | | | | | | |
| 10. | General Manager Telecom District Moradabad | Speech circuit to the Northern Railway | February 1980 to January 2006 | 18.39 | 0.00 | 18.39 |
| | | | ***Sub-total*** | ***18.39*** | ***0.00*** | ***18.39*** |
| | | | **Grand Total** | **242.96** | **92.89** | **150.07** |

## Appendix XII

### (Referred to in paragraph 2.17 at page 25)
### Statement showing the delays in provision of leased circuits

(Amount in Rupees)

| Name of the SSA | Details of the leased circuits provided / to be provided | Date of issue of final advice notes | Due date of provision of the circuits | Date of actual provision and/or non-provision of the leased circuits | Delay in provision beyond seven days (in days/ years) | Amount of potential revenue lost |
|---|---|---|---|---|---|---|
| **Bihar Telecom Circle** | | | | | | |
| Hajipur | Provision of one speech circuit between Hajipur and Mughalsarai under East Central Railway | 15-7-2002 | 23-7-2002 | Demand was cancelled on 23 October 2005 for non-provision of the circuit | 1187 or 3.25 years | 3,08,131 |
| | Provision of 2Mbps data circuit between Danapur and Hajipur under East Central Railway | 11-7-2002 | 20-7-2002 | Not provided as of 31 December 2005 | 1257 or 3.44 years | 11,72,531 |
| Samastipur | Provision of circuit between Samastipur and Hasanpur | 14-8-2002 | 22-8-2002 | Not provided as of 28 February 2006 | 1287 or 3.52 years | 1,34,268 |
| | Provision of circuit between Samastipur and Salauna | 14-8-2002 | 22-8-2002 | Not provided as of 28 February 2006 | 1287 or 3.52 years | 1,47,689 |
| | Provision of one speech circuit between Samastipur and Bhairoganj | 14-8-2002 | 22-8-2002 | Not provided as of 28 February 2006 | 1287 or 3.52 years | 3,60,168 |
| | Provision of 2Mbps data circuit between Samastipur and Kamtaul | 30-11-2002 | 8-12-2002 | Not provided as of 28 February 2006 | 448 or 1.23 years | 12,017 |
| | Provision of one speech circuit between Samastipur and Hari Nagar | 30-11-2002 | 8-12-2002 | Not provided as of 28 February 2006 | 448 or 1.23 years | 18,485 |
| | | | | | ***Sub-total*** | ***21,53,289*** |

| Name of the SSA | Details of the leased circuits provided / to be provided | Date of issue of final advice notes | Due date of provision of the circuits | Date of actual provision and/or non-provision of the leased circuits | Delay in provision beyond seven days (in days/ years) | Amount of potential revenue lost |
|---|---|---|---|---|---|---|
| **Calcutta Telephone District** | | | | | | |
| Calcutta | 128 Kbps provided to M/s NTPC Ltd. | 24.5.2005 | 1.6.2005 to 20.2.2006 | Not provided as of 20.2.2006 | 265 | 1,75,696 |
| | 64 Kbps provided to M/s Bank of India | 30.3.2005 | 6.4.2005 to 20.2.2006 | Not provided as of 20.2.2006 | 321 | 95,241 |
| | 64 Kbps provided to M/s FOIS | 15.7.2005 | 23.7.2005 to 20.2.2006 | Not provided as of 20.2.2006 | 213 | 81,295 |
| | 2 Mbps provided to Naval Officer-in-charge | 24.2.2005 | 4.3.2005 to 20.2.2006 | Not provided as of 20.2.2006 | 354 | 10,73,635 |
| | 64 Kbps provided to GM Eastern Railway | 1.4.2005 | 9.4.2005 to 20.2.2006 | Not provided as of 20.2.2006 | 318 | 86699 |
| | 64 Kbps provided to GM Eastern Railway | 1.4.2005 | 9.4.2005 to 20.2.2006 | Not provided as of 20.2.2006 | 318 | 86,699 |
| | | | | | ***Sub total*** | ***15,99,265*** |
| **Karnataka Telecom Circle** | | | | | | |
| Hubli | Provision of 23 circuits to M/s Bharti Mobiles Limited between Hubli and different other locations | Between 16 January and 9 November 2004 | Between 24 January and 17 November 2004 | Between 17 April and 23 November 2004 | Between 8 and 83 days | 20,41,171 |
| | Provision of 25 circuits to M/s Hutchison Essar South Limited between Hubli and different other locations | Between 14 May and 16 June 2004 | Between 22 May and 24 June 2004 | Between 1 July and 11 October 2004 | Between 23 and 110 days | 46,45,802 |
| | | | | | ***Sub-total*** | ***66,86,973*** |
| | | | | | **Grand Total** | **1,04,39,527** |

## Appendix XIII
**(Referred to in paragraph 2.18 at page 26)**

**Statement showing the delay in disconnection of the leased circuits and amount of bills remaining unpaid in Chennai Telephones District and Asansol SSA under West Bengal Telecom District**

(Amount in Rupees)

| Sl. No. | Description of the leased circuits provided | Date of the bill | Due date of payment [col. 3 + 21 days] | Due date of disconnection [col. 3 + 35 days] | Actual date of disconnection | Delay in disconnection [col. 6- 5] (in days) | Amount of rental bill unpaid |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| **Chennai Telephones District** | | | | | | | |
| 1. | Various leased data, E1R2 links provided to Patriot Automation Projects Limited, Chennai | 30-9-01 | 21-10-01 | 4-11-01 | 26-11-02 | 387 | 1709236 |
| 2. | | 7-5-01 | 28-5-01 | 11-6-01 | 26-11-02 | 533 | 175535 |
| 3. | | 1-7-01 | 22-7-01 | 5-8-01 | 26-11-02 | 478 | 1226008 |
| 4. | | 1-6-01 | 22-6-01 | 6-7-01 | 13-9-01 | 69 | 249375 |
| 5. | | 1-6-01 | 22-6-01 | 6-7-01 | 11-2-02 | 220 | 216312 |
| 6. | | 1-6-01 | 22-6-01 | 6-7-01 | 12-9-01 | 68 | 192780 |
| 7. | | 5-6-02 | 26-6-02 | 10-7-02 | 24-1-03 | 198 | 251479 |
| 8. | | 1-6-01 | 22-6-01 | 6-7-01 | 3-1-03 | 546 | 1391600 |
| 9. | | 1-6-01 | 22-6-01 | 6-7-01 | 3-1-03 | 546 | 460590 |
| 10. | | 5-6-02 | 26-6-02 | 10-7-02 | 3-1-03 | 177 | 90920 |
| 11. | | 5-6-02 | 26-6-02 | 10-7-02 | 26-11-02 | 139 | 90920 |
| | | | | | | *Sub-total* | *6054755* |
| **Asansol SSA: West Bengal Telecom Circle** | | | | | | | |
| 12. | Various leased data, E1R2 links provided to Descon Limited, Kolkata | 12-8-03 | 2-9-03 | 16-9-03 | 13-2-06 | 881 | 1348198 |
| 13. | | 9-8-04 | 30-8-04 | 13-9-04 | 13-2-06 | 518 | 1099061 |
| 14. | | 28-12-05 | 18-1-06 | 1-2-06 | 13-2-06 | 12 | 239253 |
| 15. | | 12-8-03 | 2-9-03 | 16-9-03 | 13-2-06 | 881 | 232571 |
| 16. | | 9-8-04 | 30-8-04 | 13-9-04 | 13-2-06 | 518 | 208055 |
| 17. | | 28-12-05 | 18-1-06 | 1-2-06 | 13-2-06 | 12 | 72315 |
| | | | | | | *Sub-total* | *3199453* |
| | | | | | | **Grand Total** | **9254208** |

## Appendix XIV
## (Referred to in paragraph 2.20 at page 28)
## Non-realisation of compensation claims

(Rs in crore)

| Sl. No. | Name of the unit | No. of occasions | Amount of compensation to be claimed |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **Orissa Circle** | | | |
| 1. | GMTD Sambalpur | 72 | 1.54 |
| 2. | GMTD Rourkela | 48 | 0.03 |
| 3. | GMTD Cuttack | 19 | 0.39 |
| 4. | GMTD Bhubaneswar | 26 | 0.61 |
| 5. | GMTD Baripada | 48 | 0.13 |
| 6. | DET Microwave and OFC Bhubaneswar | 9 | 0.13 |
| **Jharkhand Circle** | | | |
| 7. | GMTD Ranchi | 23 | 1.83 |
| **Karnataka Circle** | | | |
| 8. | PGMT, Dakshina Kannada Telecom District | 261 | 1.04 |
| | **Grand Total** | **506** | **5.70** |

## Appendix XV

**(Referred to in paragraph 2.21 at page 29)**
**Statement showing recovery at the instance of Audit**

(Rs in lakh)

| Sl. No. | Name of SSA | Particulars of the case | Periodicity of the non/short billing | Amount of non/short billing | Amount recovered | Amount to be recovered |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Chennai Telephone District** | | | | | | |
| 1. | Dy. General Manager (Long Distance & Non-voice Services), Chennai | Non-billing (14 cases) & short billing (21 cases) of rentals for Multi Protocol Label Switching based Virtual Private Network | September 2004 to March 2006 | 52.68 | 49.44 | 3.24 |
| | | | ***Sub total*** | ***52.68*** | ***49.44*** | ***3.24*** |
| **Gujarat Telecommunications Circle** | | | | | | |
| 2. | GMTD, Ahmedabad | Irregular payment of discount cellular mobile operators and licensed telecom service providers | April 2003 to June 2005 | 40.43 | 40.43 | 0.00 |
| | | | ***Sub total*** | ***40.43*** | ***40.43*** | ***0.00*** |
| **Haryana Telecommunications Circle** | | | | | | |
| 3. | GMTD, Ambala | Short recovery of infrastructure sharing charges from M/s Escotel Mobile Limited | November 1997 to March 2004 | 15.58 | 15.58 | 0.00 |
| 4. | GMTD, Hissar | Short recovery of infrastructure sharing charges from M/s Escotel Mobile Limited | August 1998 to June 2004 | 19.22 | 19.22 | 0.00 |
| | | | ***Sub total*** | ***34.80*** | ***34.80*** | ***0.00*** |
| **Karnataka Telecommunications Circle** | | | | | | |
| 5. | Dy. General Manager (Telecom Leased Circuits), Bangalore SSA | Short billing of leased data circuits provided to M/s Thomson Business Information India Private Limited, Bangalore | April 2004 to December 2005 | 32.70 | 32.70 | 0.00 |
| | | | ***Sub total*** | ***32.70*** | ***32.70*** | ***0.00*** |

| Sl. No. | Name of SSA | Particulars of the case | Periodicity of the non/short billing | Amount of non/short billing | Amount recovered | Amount to be recovered |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Kerala Telecommunications Circle** | | | | | | |
| 6. | PGMTD, Ernakulam | Short billing of rental in respect of data circuits provided to M/s Fedral Bank Limited | March 2004 to June 2006 | 260.82 | 260.82 | 0.00 |
| | | | ***Sub total*** | ***260.82*** | ***260.82*** | ***0.00*** |
| **Madhya Pradesh Telecommunications Circle** | | | | | | |
| 7. | TDM, Sagar | Non-billing of M/s Bharati Telenet Ltd. | August 2003 to March 2005 | 7.66 | 7.66 | 0.00 |
| 8. | TDM, Dhar | Non-billing of facilities provided to private operators | February 2002 to September 2005 | 28.98 | 28.98 | 0.00 |
| 9. | PGMTD Mandsaur | Non-billing of facilities provided to private operators | April 2001 to March 2005 | 8.86 | 8.86 | 0.00 |
| | | | ***Sub total*** | ***45.50*** | ***45.50*** | ***0.00*** |
| **Punjab Telecommunications Circle** | | | | | | |
| 10. | PGMTD, Chandigarh | Short recovery of infrastructure sharing charges from M/s Spice Telecom Limited | March 1997 to March 2005 | 18.96 | 18.96 | 0.00 |
| 11. | GMTD, Hoshiarpur | Short recovery of infrastructure sharing charges from M/s Spice Telecom Limited | September 1998 to August 2004 | 18.08 | 18.08 | 0.00 |
| 12.. | GMTD Ludhiana | Short recovery of infrastructure sharing charges from M/s HFCL and Reliance | April 2001 to December 2005 | 43.37 | 43.37 | 0.00 |
| 13. | GMTD, Patiala | Short recovery of infrastructure sharing charges from M/s Bharti Mobile Limited, HFCL and Spice Telecom Limited | April 2001 to September 2004 | 13.93 | 13.93 | 0.00 |
| 14. | GMTD, Pathankot | Short recovery of infrastructure sharing charges from M/s Spice Telecom Limited | August 2001 to September 2005 | 11.00 | 11.00 | 0.00 |

| Sl. No. | Name of SSA | Particulars of the case | Periodicity of the non/short billing | Amount of non/short billing | Amount recovered | Amount to be recovered |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 15. | GMTD, Sangrur | Non-recovery of access charges from M/s Reliance | January to March 2004 | 45.07 | 45.07 | 0.00 |
| | | | ***Sub total*** | ***150.41*** | ***150.41*** | ***0.00*** |
| **Rajasthan Telecommunications Circle** | | | | | | |
| 16. | PGMTD, Jaipur | Short billing of rental in respect of 2Mbps leased circuits | July 2005 to March 2006 | 15.01 | 15.01 | 0.00 |
| | | | ***Sub total*** | ***15.01*** | ***15.01*** | ***0.00*** |
| **Tamil Nadu Telecommunications Circle** | | | | | | |
| 17. | GM Nagercoil | Non-billing of port charges in respect of M/s Bharati Cellular Limited | October 2004 to October 2005 | 3.30 | 3.30 | 0.00 |
| 18. | GM Thanjavur | Non-billing of various data circuits | May 2005 to April 2006 | 28.39 | 28.39 | 0.00 |
| 19. | DGM(LD) Chennai Telephones | Non-billing of port charges in respect of Hutch, Aircell, Reliance | September 2005 to March 2006 | 6.90 | 6.90 | 0.00 |
| 20. | GM Chengalpet | Short billing of annual infrastructure charges | February 2003 to March 2005 | 10.36 | 10.36 | 0.00 |
| | | Non-billing of access call charges | June 2004 to November 2004 | 5.02 | 5.02 | 0.00 |
| 21. | GM Dharmapuri | Short billing in r/o leased lines and internet port charges due to upgradation from 256 Kbps to 1 Mb in respect of M/s Adiyamaan | August 2004 to June 2005 | 8.92 | 8.92 | 0.00 |
| 22. | DGM (LD) Chennai Telephones | Short billing of annual maintenance charges for ADM-4 system on upgradation from STM-1 system | September 2003 to March 2006 | 6.29 | 6.29 | 0.00 |
| | | | ***Sub total*** | ***69.18*** | ***69.18*** | ***0.00*** |
| | | | **Grand Total** | **701.53** | **698.29** | **3.24** |

## Appendix XVI
### (Referred to in paragraph 3.2 at page 31)
### Statement showing excess payment of electricity charges

**(Amount in Rupees)**

| Sl. No. | Name of the SSA | Period | Excess payment |
|---|---|---|---|
| 1. | GMTD Banswara | January 05-September 05 | 577389 |
| 2. | TDM Barmer | January 05-August 05 | 759720 |
| 3. | TDM Bundi | January 05-August 05 | 157728 |
| 4. | PGNTD Jaipur | January 05-December 05 | 3708062 |
| 5. | TDM Jhalawar | January 05-September 05 | 52606 |
| 6. | GMTD Jhunjhunu | January 05-November 05 | 561729 |
| 7. | GMTD Shriganganagar | January 05-September 05 | 3344442 |
| 8. | GMTD Sirohi | January 05-August 05 | 1104410 |
| 9. | TDM Tonk | January 05-September 05 | 712346 |
| 10. | GMTD Ajmer | January 05-December 05 | 1928889 |
| 11. | GMTD Bharatpur | January 05-February 06 | 3341225 |
| **Total** | | | **1,62,48,546** |

## Appendix XVII
## (Referred to in paragraph 3.3 at page 33)
## Idling of stores

(Rs in lakh)

| Sl. No. | Item | Year of purchase | Quantity | Value |
|---|---|---|---|---|
| 1. | Modular Connector | 2001-2003 | 124837 | 41.56 |
| 2. | 15mts self supporting masts | 2001-2002 | 107 | 48.56 |
| 3. | Lead Sleeve | 2001-2002 | 124837 | 14.23 |
| 4. | Socket B | 2002-2003 | 6494 | 33.77 |
| 5. | Tube A8,A4,B4 | 2001-2002 | 6399 | 36.25 |
| 6. | DS Small | 2001-2002 | 122930 | 12.76 |
| 7. | Stalk Phone | 2001-2002 | 51524 | 11.85 |
| 8. | Patch panel antenna | 2001-2002 | 7120 | 53.14 |
| 9. | CDMA WLL 2235 | 2001-2002 | 1900 | 127.00 |
| **Total** | | | | **379.12** |

## Appendix XVIII

**(Referred to in paragraph 3.4 at page 36)**
**Idle investment on construction of exchange building**

**(Rs in crore)**

| Sl. No. | Telecom Circle | Name of the SSA | Name of the exchange | Date of completion of the exchange building | Cost (Rs in Lakh) | Circle wise Cost |
|---|---|---|---|---|---|---|
| 1. | Bihar | GMTD Chapra | Chapra | March 2004 | 183.07 | **1.83** |
| 2. | Karnataka | TDM Raichur | Masik | September 2003 | 53.34 | **0.90** |
| | | GMTD Mandya | Poorigali | March 2004 | 36.23 | |
| 3. | Rajasthan | PGMT Jaipur | Govind Nagar | January 2001 | 77.50 | **1.57** |
| | | | Jobner | August 2001 | 37.25 | |
| | | GMTD Bhilwara | Bijoliya | February 2003 | 42.17 | |
| 4. | Tamil Nadu | GMTD Tirunelveli | Pambukoilshandy | August 2003 | 22.01 | **1.77** |
| | | | Ulangulam | August 2003 | 23.49 | |
| | | | Naduvakurichi | October 2003 | 26.12 | |
| | | | Uvari | September 2002 | 26.09 | |
| | | | Ukkirankottai | March 2004 | 26.58 | |
| | | GMTD Kumbakonam | Motilal Street | March 2003 | 33.52 | |
| | | | Porayaar | July 2004 | 19.04 | |
| **Total** | | | | | | **6.07** |

## Appendix XIX
## (Referred to in paragraph 3.5 at page 39)
## Unfruitful expenditure on primary cables

| | | |
|---|---|---|
| 1. | Primary cables terminated in MDF as of March 2005 | 2.33 lakh pairs |
| 2. | Primary cable terminations required in MDF for providing 1.19 lakh telephone connections | 1.19 lakh pairs |
| 3. | Spare terminations in MDF (Sl. 1-2) | 1.14 lakh pairs |
| 4. | Average growth rate of telephone connections during 2000-05 was 5,326 per year. Considering this growth rate 26,633 telephone connections would be provided during 2006-2010 for which 26,633 primary cable terminations in MDF are required | - 0.26 lakh pairs |
| 5. | Spare terminations after providing for 26,633 terminations | 0.88 lakh pairs |
| 6. | In Bhopal SSA the total telephone connections (January 2006) are 1.70 lakh and the total cables laid is 19.20 Lckm which works out to 11.29 ckm per telephone connection. Hence 11.29 ckm works out to 6 kms per telephone connection. Thus for providing one telephone connection an average of 6 kms of cable has been used in Bhopal SSA. | |
| 7. | The length of .88 lakh pairs of primary cable will work out to 110 kms considering the minimum length of 800 pairs for one kilometer for providing a telephone connection. | |
| 8. | Cost of 110 kms of 800 pairs armoured cables @ Rs 5.12 lakh per km works out to Rs 5.63 crore. | |

## Appendix XX

**(Referred to in paragraph 3.6 at page 40)**

**Statement showing unproductive expenditure on expansion/commissioning of exchanges**

**(Rs in lakh)**

| Sl. No. | Name of the exchange | Month of expansion | Pre-expansion capacity (in lines) | Capacity after expansion (in lines) | DELS* + Waiting list before expansion | 20 % growth (Col 6 *20%) | Total capacity justified. (in lines) (Col 6+7) | Excess expanded capacity (in lines) | Expenditure on excess capacity |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1. | Dhurwa RLU | December 2001 | 5000 | 6000 | 4027 | 805 | 4832 | 1000 | 85 |
| 2. | Ranchi EWSD main | February 2003 | 13000 | 14000 | 10077 | 2015 | 12092 | 1000 | 28 |
| 3. | Hinoo RSU | January 2002 | 8000 | 9000 | 4082 | 816 | 4898 | 1000 | 148 |
| 4. | Dhurwa, Sector-II. EWSD RSU | December 2004 | 4000 | 6000 | 3486 | 697 | 4183 | 1000 | 27 |
| 5. | CMPDI RSU | December 2002 | 3800 | 5000 | 3315 | 663 | 3978 | 1000 | 29 |
| 6. | Mandar MBM | March 2004 | 1000 | 2000 | 620 | 124 | 744 | 1000 | 44 |
| | | | | ***Sub-total*** | | | | ***6000*** | ***361*** |
| 7. | Mandap OCB RSU (New exchange) | March 2004 | New exchange | 2000 | | | | 2000 | 122 |
| | | | | **Total** | | | | **8000** | **483** |

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* Direct exchange lines (Telephone connections)

## Appendix XXI
### (Referred to in paragraph 3.9 at page 43)
### Infructuous expenditure on payment of electricity charges

(Rs in lakh)

| Sl. No. | Name of the circle | Name of the SSA | Amount | Total |
|---|---|---|---|---|
| 1. | Bihar | Chapra | 11.18 | |
| | | Munger | 21.8 | |
| | | Patna | 5.46 | |
| | | Samastipur | 5.97 | 44.41 |
| 2. | Jharkhand | Ranchi | 17.26 | 17.26 |
| 3. | Kerala | Calicut | 13.6 | |
| | | Ernakulam | 22.49 | |
| | | Kannur | 1.42 | |
| | | Kottayam | 1.97 | |
| | | Kollam | 8.44 | |
| | | Thiruvalla | 2.37 | |
| | | Thrissur | 3.07 | |
| | | Thiruvananthapuram | 7.57 | 60.93 |
| **Total** | | | | **122.60** |

## Appendix XXII
### (Referred to in paragraph 3.12 at page 47)
### Avoidable payment of interest due to delayed payment of service tax

**(Rs in lakh)**

| Sl. No. | Name of the unit | Period | Amount |
|---|---|---|---|
| **Andhra Pradesh Circle** | | | |
| 1. | PGM Hyderabad Telecom District | October 2000 to June 2003 | 27.69 |
| 2. | GMTD Kurnool | October 2000 to September 2003 | 20.69 |
| 3. | GMTD Cuddappah | April 2001 to March 2005 | 10.89 |
| 4. | GMTD Tirupathi | October 2000 to November 2004 | 6.96 |
| 5. | GMTD Ananthapur | July 2001 to November 2003 | 8.21 |
| **Rajasthan Circle** | | | |
| 6. | GMTD Ajmer | July 2002 to December 2003 | 0.33 |
| 7. | GMTD Bhilwara | July 2002 to December 2004 | 0.24 |
| 8. | TDM Jhalawar | July 2002 to December 2005 | 1.42 |
| 9. | GMTD Jodhpur | 2002-03, 2003-04 | 0.27 |
| 10. | GMTD Kota | October 2000 to December 2003 | 12.10 |
| 11. | GMTD Pali | July 2001 to September 2004 | 0.85 |
| 12. | GMTD Sriganganagar | April 2003 to March 2004 | 1.25 |
| | **Total** | | **90.90** |

## Appendix XXIII
### (Referred to in paragraph 3.13 at page 48)
### Excess payment of MO commission due to non-availing of concessional rates

(Rs in lakh)

| Sl. No. | Name of Circle | Name of SSA | Period during which MOs remitted | Avoidable excess commission paid |
|---|---|---|---|---|
| 1 | Gujarat | Nadiad | September 2004- September 2005 | 2.54 |
| | | Bharuch | April 2003 to September 2005 | 6.41 |
| | | Himatnagar | April 2003 to December 2005 | 9.33 |
| 2. | Karnataka | Gulbarga | November 2001 to October 2004 | 17.80 |
| 3. | Rajasthan | Banswara | October 2001 to June 2005 | 1.71 |
| | | Tonk | October 2001 to June 2005 | 1.25 |
| | | Jhalawar | November 2001 to November 2005 | 3.06 |
| | | Barmer | October 2001 to July 2002 | 0.23 |
| | | Jodhpur | October 2001 to February 2004 | 9.02 |
| | | Bharatpur | June 2003 to December 2005 | 0.20 |
| **Total** | | | | **51.55** |

## Appendix XXIV
**(Referred to in paragraph 4.1 at page 49)**
**Statement showing Loss of revenue due to delay in disconnections for non-payment**

**(Rs in lakh)**

| Sl. No. | Name of exchanges | Number of cases | Range of delays (in days) | Amount of loss of revenue |
|---|---|---|---|---|
| **A. Cases where delays taken place in both the TRA and exchanges** | | | | |
| 1 | Marol | 33 | In TRA 2 to 390 days and in exchanges 2 to 409 days | 4.26 |
| 2. | Mazgaon | 163 | | 24.88 |
| 3. | Goregaon | 74 | | 13.91 |
| 4. | Gamdevi | 12 | | 2.53 |
| | ***Sub-total (A)*** | ***282*** | | ***45.58*** |
| **B. Cases where delays taken place only in exchanges** | | | | |
| 5. | Marol | 268 | In TRA no delay but in exchanges 2 to 499 days | 40.38 |
| 6. | Mazgaon | 77 | | 12.38 |
| 7. | Goregaon | 60 | | 11.69 |
| 8. | Gamdevi | 30 | | 5.53 |
| | ***Sub-total (B)*** | ***435*** | | ***69.98*** |
| **Grand Total (A + B)** | | | | **115.56** |

## Appendix XXV
### (Referred to in paragraph 4.3 at page 51)
### Statement showing recovery at the instance of Audit

(Rs in lakh)

| Sl. No. | Name of SSA | Subject | Short billing | | Amount recovered | Amount to be recovered |
|---|---|---|---|---|---|---|
| | | | Period | Amount | | |
| **Mahanagar Telephone Nigam Limited, Mumbai** | | | | | | |
| 1. | General Manager (Leased Circuits), MTNL Mumbai | Non-billing of set up charges from private operators | July 2002 to February 2003 | 29.16 | 29.16 | 0.00 |
| | | | ***Sub total*** | ***29.16*** | ***29.16*** | ***0.00*** |
| **Mahanagar Telephone Nigam Limited, Delhi** | | | | | | |
| 2. | General Manager, TR, MTNL New-Delhi | Non-billing of rental for leased circuits | May 2003 to March 2006 | 114.03 | 113.69 | 0.34 |
| | | | ***Sub total*** | ***114.03*** | ***113.69*** | ***0.34*** |
| | | | **Grand Total** | **143.19** | **142.85** | **0.34** |

## Appendix XXVI

**(Referred to in paragraph 4.6 at page 53)**

**Statement showing non-recovery of compensation for damage to underground cables**

**(Amount in Rupees)**

| Sl. No. | Name of the unit | Period | Damage by known agencies | Damage by unknown agencies | Total |
|---|---|---|---|---|---|
| 1 | GM, South –II | 2001-05 | 1,63,28,475 | 1,13,91,781 | 2,77,20,256 |
| 2 | GM West-II | 2001-06 | 66,07,392 | ----- | 66,07,392 |
| **Total** | | | **2,29,35,867** | **1,13,91,781** | **3,43,27,648** |

**Appendix - XXVII**
**(Referred to in paragraph 6 at page 64)**
**Position of outstanding ATNs in respect of paras pertaining to**
**Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL)**

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 1. | Report No. 6 of 1997 for the year ended 31 March 1996 | 8.4 | Rural Telecom Networks and tribal sub-plan. (DoT/BSNL) |
| 2. | Report No. 3 of 1997 (Commercial) for the year ended 31 March 1996 | 6.3.2 | Printing of Telephone Directories (MTNL) |
| 3. | Report No. 6 of 1998 for the year ended 31 March 1997 | 3 | Cellular mobile telephone service in metros – Undue benefit of Rs 837 crore to operators (DOT/BSNL) |
| 4. | | 4 | Outstanding licence fee from Cellular operators (DOT/BSNL) DOT/BSNL |
| 5. | | 9.6 (12) | Procurement of 0.5 mm diameter Drop wire (DoT/BSNL) |
| 6. | Report No. 3 of 1998 (Commercial) for the year ended 31 March 1997 | 7.2.2 | Loss of Rs 34.12 lakh due to under insurance of stores (MTNL) |
| 7. | Report No.6 of 1999 for the year ended 31 March 1998 | 8 (8.2.IV.9,8.4, 8.6) | Non- billing or short billing ( DoT/BSNL) |
| 8. | | 11 (11.1,11.2,11. 3,11.4,11.8) | Procurement of PIJF cables ( DoT/BSNL) |
| 9. | | 12 (12.1 to 12.14) | Laying of cables in local network (DoT/BSNL) |
| 10. | | 15 (15.1to15.8) | Procurement of C-DoT MAX-L exchanges (DoT/BSNL) |
| 11. | | 17 (17.1 to 17.5) | Infructuous expenditure of Rs 10.33 crore in purchase of trunk exchanges (DoT/BSNL) |
| 12. | | 20 | Excess payment of Rs 7.67 crore to suppliers (DoT/BSNL) |
| 13. | | 49 | Purchase of disputed land (DoT/BSNL) |
| 14. | Report No. 3 of 1999 (Commercial) for the year ended 31 March 1998 | 5.3 | Non-recovery of unadjusted amount of purchase advance (MTNL) |
| 15. | Report No. 6 of 2000 for the year ended 31 March 1999 | 7 (7i) | Non-realisation of annual maintenance charges for OFC route (DoT/BSNL) |
| 16. | | 11 (11.5(.i), 11.6.X.2) | Non/Short billing of revenue (DoT/BSNL) |
| 17. | | 15 (15.1 to 15.11) | Licensing of Radio Paging Services (DoT/BSNL) |
| 18. | | 16 (16.1 to 16.9) | Material Management in Telecom Stores and Circles (DoT/BSNL) |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 19. | Report No. 6 of 2000 for the year ended 31 March 1999 | 17 (17.5.4,17.5.5,17.6,17.7,17.7.1.1,17.7.1.2, 17.8.1,17.8.2, 17.10.1,17.10.2,17.10.3 & 17.10.4) | Rural Telecommunication Network (DoT/BSNL) |
| 20. | Report No. 6 of 2001 for the year ended 31 March 2000 | 4 | Non-recovery of dues amounting to Rs 2.52 crore from Department of Electronics for Educational and Research Network (ERNET) (DoT/BSNL) |
| 21. | | 6 (6.V.21-23) | Non-realisation of additional security deposits from STD/PCO operators (DoT/BSNL) |
| 22. | | 9 (9.1.VI.9/9.3.VIII.5,12/9.4.IX.3) | Non/short recovery of revenue (DoT/BSNL) |
| 23. | | 12 (12.9i,12.11i, 12.11ii,12.11iii,12.12i,12.12ii,12.13i & 12.13ii) | Manpower Management in Department of Telecommunications Services (DoT/BSNL) |
| 24. | | 13 (13.1 to 13.9i) | Performance of Telecom Factories Jabalpur and Mumbai (DoT/BSNL) |
| 25. | | 14 (14.1 to 14.10.5) | Computerised Telephone Revenue Billing and Accounting System (DoT/ BSNL) |
| 26. | | 15 | Non-recovery of dues from MTNL Mumbai/Delhi (DoT/BSNL) |
| 27. | | 17 (17.1a to 17.2b) | Excess expenditure of Rs 4.25 crore in procurement of 2 GHz digital microwave terminals (DoT/BSNL) |
| 28. | | 34 | Non-recovery of leave salary and pension contribution (DoT/BSNL) |
| 29. | | 41 | Irregular procurement of stores (DoT/ BSNL) |
| 30. | Report No. 6 of 2002 for the year ended 31 March 2001 | 7 (7.1.10,7.1.13,7.2.7, 7.2.11,7.4.13, 7.4.15,) | Non/Short recovery of revenue (DoT/ BSNL) |
| 31. | | 11 (11.1 to 11.11) | Management of Telecom Stores (DoT/ BSNL) |
| 32. | | 12 (12.6,12.7,12.8.3.3,12.8.6.2) | Working of the Telecom Civil Divisions (DoT/ BSNL) |
| 33. | | 16 | Excess payment of service charges (DoT/ BSNL) |
| 34. | | 19 (19i,19ii & 19iii) | Other recoveries at the instance of Audit. (DoT/ BSNL) |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 35. | Report No. 6 of 2002 for the year ended 31 March 2001 | 26 | Idling of raw material and semi finished goods worth Rs 2.32 crore due to unplanned bulk procurement of raw material (DoT/ BSNL) |
| 36. | | 37 (37.4,37.5,37.6i & 37.6ii) | Irregularities in decentralised procurement of C-DoT 256 P exchange equipment (DoT/ BSNL) |
| 37. | | 40 | Excess payment due to inconsistent application of procurement policy (DoT/ BSNL) |
| 38. | | 41 (41.2,41.3 & 41.5) | Transportation of stores by circle Telecommunications Store Depots and Telecommunication units. (DoT/ BSNL) |
| 39. | | 44 | Avoidable payment (DoT/ BSNL) |
| 40. | Report No. 3 of 2002 (Commercial) for the year ended 31 March 2001 | 6.1.3 | Continuance of telephone facilities despite non-payment of dues (BSNL). |
| 41. | | 6.1.4 | Failure to demand and collect rent of Rs 1.71 crore (BSNL). |
| 42. | | 6.1.5 | Loss of potential revenue due to non-commissioning of project (BSNL) |
| 43. | | 6.1.7 | Failure to realise Rs 81.31 lakh due to non-receipt of advice notes (BSNL). |
| 44. | | 6.1.10 | Non-recovery of licence fee for interconnectivity of network (BSNL). |
| 45. | | 6.3.4 | Loss due to delay in disconnection of Data Service (MTNL) |
| 46. | Report No. 5 of 2003 (Commercial) for the year ended 31 March 2002 | 1 | Functions, Organisation, traffic, revenue receipts and financial results (BSNL) |
| 47. | | 2 | Non-recovery of dues from pay phone operators due to deficient internal control system (BSNL) |
| 48. | | 4 (1to 16) | Blockage of Government revenue (BSNL) |
| 49. | | 11 | Short realisation of cost of bid documents (BSNL) |
| 50. | | 14 (14.1.5,14.2.2, 14.2.3,14.2.4 & 14.3.5) | Non/short recovery of revenue (BSNL) |
| 51. | | 16 (16.1 to 16.8.3) | Village Public Telephones (BSNL) |
| 52. | | 20 | Excess payment to supplier (BSNL) |
| 53. | | 27 | Wasteful expenditure on procurement of defective power plants (BSNL) |
| 54. | | 30 | Lack of proper planning and resultant idling of 6 Giga Hertz equipment (BSNL) |
| 55. | | 31 | Infructuous expenditure of Rs 2.17 crore on payment of minimum demand charges and low power factor surcharge (BSNL) |
| 56. | | 42 | Excess payment of Rs 14.97 crore on procurement of new technology digital local exchange equipment (BSNL) |
| 57. | | 43 | Irregular payment of customs duty (BSNL) |
| 58. | | 44 | Avoidable expenditure on installation of higher capacity telephone exchange (BSNL) |
| 59. | | 46 | Avoidable extra expenditure in acquisition of land.(BSNL) |
| 60. | | 50 | Function, organisation, traffic, revenue receipts and financial results (MTNL). |
| 61. | | 51 | Loss of revenue due to non-implementation of revised tariff as prescribed (MTNL) |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 62. | Report No. 5 of 2003 (Commercial) for the year ended 31 March 2002 | 53 | Loss of revenue of Rs 90.25 lakh due to failure to implement terms of agreement in time (MTNL) |
| 63. | | 54 | Loss of revenue (MTNL) |
| 64. | | 55 (55.1 to 55.20) | Review on Quality of services of MTNL |
| 65. | | 56 (56.1 to 56.9.5) | Review on Telephone Revenue Billing in MTNL. |
| 66. | | 61 (61.1,61.1.2,61.2.1.1,61.2.1.2,61.2.2,61.2.3,61.2.5 & 61.3.2.4) | Material Management in MTNL |
| 67. | Report No. 5 of 2004 for the year ended 31 March 2003 | 2.1 | Non collection of revenue from cellular mobile subscribers-Rs 1.87 crore (BSNL) |
| 68. | | 2.4 {2.4(1)5} | Short recovery of infrastructure charges of Rs 91.44 lakh (BSNL) |
| 69. | | 2.9 (2.91 to 2.9.5.3) | Non/short recovery of revenue (BSNL) |
| 70. | | 2.10 | Recovery at the instance of Audit (BSNL) |
| 71. | | 3 (3.4.3,3.6, 3.8.2 | Working of Telecom Maintenance wing of BSNL |
| 72. | | 4.1 | Non recovery of advance of Rs 229.18 crore(BSNL) |
| 73. | | 4.6 (i) | Infructuous expenditure of Rs 78.22 lakh on procurement of Network Synchronisation Equipment (BSNL) |
| 74. | | 4.12 | Blocking of funds of Rs 1.61 crore on CCB Telephone (BSNL) |
| 75. | | 4.13 | Blocking of capital of Rs 1.37 crore (BSNL) |
| 76. | | 4.14 | Blocking of capital of Rs 93.67 lakh (BSNL) |
| 77. | | 4.19 | Irregular expenditure of Rs 4.07 crore on engaging contract labour (BSNL) |
| 78. | | 4.20 | Irregularities in procurement of stores and award of work- Rs 1.27 crore (BSNL) |
| 79. | | 4.23 | Avoidable excess payment of Rs 96.53 crore on procurement of PIJF cable (BSNL) |
| 80. | | 4.27 | Avoidable extra expenditure of Rs 1.81 crore on procurement of PIJF cable (BSNL) |
| 81. | | 5 (5.1 to 5.7) | Functions, Organisation, traffic, revenue receipts and financial results (MTNL) |
| 82. | | 7.1-7.13 | Cellular Mobile Telephone Service in Mahanagar Telephone Nigam Limited |
| 83. | | 7.14-7.24 | Cable duct works in MTNL |
| 84. | | 8.1 | Imprudent investment decision to invest surplus funds of Rs 250 crore (MTNL) |
| 85. | | 8.2 | Avoidable loss of interest of Rs 55.44 crore (MTNL) |
| 86. | | 8.3 | Avoidable loss of Rs 1.31 crore due to non-pursuance of refund of insurance premium on pro—rata basis.(MTNL) |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 87. | Report No. 5 of 2005 for the year ended 31 March 2004 | 1 (1.3,1.4,1.6 & 1.7) | Introduction, Organisational set-up, Investment and Return, Physical and Financial Performance, Revenue Arrears, Manpower, Productivity. (BSNL) |
| 88. | | 2.1 | Delay in realisation of dues & loss of interest (BSNL) |
| 89. | | 2.2 {A2.2(1)1 to 2.2(1)25 and B2.2(1)1 to 2.2(1)12 } | Non collection of revenue from cellular mobile subscribers (BSNL) |
| 90. | | 2.3 {2.3(II)1 to4,7to9, 13,14,16 | Continuation of telephone facilities despite non-payment of dues (BSNL) |
| 91. | | 2.4 {2.4(III)14,16 ,19 & 26} | Non-billing due to non-receipt of advice notes (BSNL) |
| 92. | | 2.5 {2.5(IV)2,3} | Short-realisation of rentals due to application of revised tariff (BSNL) |
| 93. | | 2.6 | Non-billing of penal interest (BSNL) |
| 94. | | 2.8 {2.8(V)3,4,5} | Short billing of installation charges (BSNL) |
| 95. | | 2.9 | Non/Short billing of rentals in r/o interconnection facilities to defence (BSNL) |
| 96. | | 2.10 | Short billing of revenue (BSNL) |
| 97. | | 2.11 {2.11(VI)1} | Non-billing of rentals in respect of lines and wires leased to Railways (BSNL) |
| 98. | | 2.13 (2.13.1 to 2.13.8) | Non-recovery of compensation for the unexpired period of guarantee (BSNL) |
| 99. | | 2.16 | Loss of revenue due to incorrect fixation of rental (BSNL) |
| 100 | | 2.18 {2.18(10)10} | Recovery at the instance of Audit (BSNL) |
| 101 | | 3 (3.1 to 3.9) | IT audit of DotSoft package of BSNL |
| 102 | | 4.1 | Excess payment of customs duty (BSNL) |
| 103 | | 4.2 | Negligence leading to loss in fire (BSNL) |
| 104 | | 4.4 | Non-recovery of compensation for damage to underground cable (BSNL) |
| 105 | | 4.6 | Irregularities in execution of cable ducts (BSNL) |
| 106 | | 4.8 | Irregular expenditure and payment of penalty due to delay (BSNL) |
| 107 | | 4.9 | Idling of Digital Loop Carrier equipment (BSNL) |
| 108 | | 4.10 | Injudicious procurement (BSNL) |
| 109 | | 4.13 | Blocking of capital of Rs 3.11 crore (BSNL) |
| 110 | | 4.14 | Injudicious expansion of exchanges (BSNL) |
| 111 | | 4.15 | Idle investment on construction of staff quarters (BSNL) |
| 112 | | 4.16 | Blocking of capital of Rs 1.55 crore (BSNL) |
| 113 | | 4.17 | Idle investment on construction of staff quarters (BSNL) |
| 114 | | 4.24 | Irregular expenditure (BSNL) |
| 115 | | 4.28 | Undue benefit to contractor and short levy of penalty (BSNL) |
| 116 | | 4.29 | Undue benefit to suppliers in procurement of WLL equipment (BSNL) |
| 117 | | 4.30 | Avoidable extra expenditure on procurement of jointing kits (BSNL) |
| 118 | | 6 (6.1 to 6.14) | Planning, Procurement and Utilisation of WLL system in MTNL |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 119 | | 7.2 | Avoidable excess expenditure on setting up of Customer Service Centres (MTNL) |
| 120 | Report No. 9 of 2006 (PA, Telecom) for the year ended 31 March 2005 | 1 (1.1 to 1.15.2) | Performance audit of WLL services in BSNL |
| 121 | | 2 (2.1 to 2.18.3) | Performance audit of Human Resources Management in BSNL |
| 122 | Report No. 13 of 2006 (TA, Telecom) for the year ended 31 March 2005 | 1 (13 to 1.7) | Organizational set up and financial management. (BSNL) |
| 123 | | 2.1 | Non-realization of interconnection charges from M/S Data Access (India) Limited. (BSNL) |
| 124 | | 2.2 {A.2.2(1)1 to2.2(1)45 and B.2.2(1)1 to2.2(1)6} | Non-collection of revenue from cellular mobile subscribers. (BSNL) |
| 125 | | 2.3 {2.3(II)1 to2.3(II)29} | Non-realisation of interest on delayed payments. (BSNL) |
| 126 | | 2.4 {2.4(III)1 to 7,11} | Continuation of telephone facilities despite non-payments of dues (BSNL). |
| 127 | | 2.6 {2.6(IV)1to 3} | Non-realisation of charges from M/S Reliance Infocom Limited for ISD calls with tampered Calling Line Identification (BSNL) |
| 128 | | 2.7 {2.7(V)9,17,1 8, & 21} | Non-billing due to non receipt of advice notes. (BSNL) |
| 129 | | 2.8 {2.8(VI)1 to 2.8(VI)9} | Short billing of rentals for leased circuits (BSNL) |
| 130 | | 2.9 {2.9(VII)1 to 2.9(VII)9} | Non billing of interconnect licence fees (BSNL) |
| 131 | | 2.10 | Non realization of charges. (BSNL) |
| 132 | | 2.11 {2.11(VIII)1 to 2.11(VIII)3} | Loss of revenue due to delayed /non implementation of revised pulse rates (BSNL) |
| 133 | | 2.12 {2.12(IX)1 to 2.12(IX)5} | Non realization of infrastructure sharing charges. (BSNL) |
| 134 | | 2.13 {2.13 case –I to 2.13 case III} | Loss of potential revenue due to inordinate delay in providing leased circuits. (BSNL) |
| 135 | | 2.14 {2.14 (X)1 to2.14 (X)5} | Short realization of rentals due to non application of revised tariff. (BSNL) |
| 136 | | 2.15 {2.15 (XI)2,3 | Short billing of installation charges and rentals (BSNL). |
| 137 | | 2.16 | Non-billing of rentals (BSNL) |
| 138 | | 2.17 {2.17(XII)1 to 2.17(XII)8} | Short billing of port charges in respect of private operators. (BSNL) |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 139 | Report No. 13 of 2006 (TA, Telecom) for the year ended 31 March 2005 | 2.18 {2.18(XIII)1 (C) to 2.18(XIII)2 (C), 2.18(XIII)1 (M) to 2.18(XIII)5 (M)} | Non-realisation of port charges. (BSNL) |
| 140 | | 2.19 {2.19(XIV)12 } | Recovery at the instance of Audit. (BSNL) |
| 141 | | 3 (3.1 to 3.9.7) | IT audit of Chennai Telephone billing system of BSNL |
| 142 | | 4.1 {4.1(XVII)1 to 4.1(XVII)7} | Excess payment of electricity charges. (BSNL) |
| 143 | | 4.2 | Non disposal of hazardous waste (BSNL) |
| 144 | | 4.3 | Non-recovery of compensation for damage to underground cables (BSNL) |
| 145 | | 4.4. | Non-recovery of compensation charges for delays in repairing E-10 B cables (BSNL) |
| 146 | | 4.5 | Injudicious expansion of exchanges. (BSNL) |
| 147 | | 4.6 | Unproductive expenditure on installation of an exchange. (BSNL) |
| 148 | | 4.7 | Wasteful expenditure on installation of C-DOT exchanges. (BSNL) |
| 149 | | 4.8 | Idle investment on purchase of land and construction of buildings. (BSNL) |
| 150 | | 4.9 | Idle investment on construction of telephone exchange buildings (BSNL) |
| 151 | | 4.10 | Idle investment on purchase of land. (BSNL) |
| 152 | | 4.11 | Idle investment on construction of staff quarters. (BSNL) |
| 153 | | 4.12 | Blocking of capital (BSNL) |
| 154 | | 4.13 | Unfruitful investment on construction of exchange buildings. (BSNL) |
| 155 | | 4.14 | Idling of Digital Loop Carrier system. (BSNL) |
| 156 | | 4.15 | Blocking of funds due to non commissioning of optical fibre routes. (BSNL) |
| 157 | | 4.16 | Wasteful expenditure on Idle stores. (BSNL) |
| 158 | | 4.17 | Infructous expenditure on payment of electricity charges. (BSNL) |
| 159 | | 4.18 | Unfruitful expenditure on procurement of power plants. (BSNL) |
| 160 | | 4.19 | Imprudent investment (BSNL). |
| 161 | | 4.20 | Idle investment on purchase of software. (BSNL) |
| 162 | | 4.21 | Avoidable expenditure on procurement of PIJF cable. (BSNL) |
| 163 | | 4.22 | Avoidable extra expenditure on procurement of PLB HDPE pipes. (BSNL) |
| 164 | | 4.23 | Excess expenditure on cable laying works (BSNL) |
| 165 | | 5 (5.5 to 5.7) | Introduction (MTNL) |
| 166 | | 6.1 | Imprudent investment.(MTNL) |
| 167 | | 6.2 | Blocking of capital on purchase of land.(MTNL) |
| 168 | | 6.3 | Infructuous expenditure on leasing of land.(MTNL) |
| 169 | | 6.4 | Avoidable expenditure (MTNL) |

| Sl. no. | Audit Report (Number and year) | Paragraph No. | Subject |
|---|---|---|---|
| 170 | | 6.5 | Idle investment on establishment of a fraud Management control centre.(MTNL) |
| 171 | | 6.6 | Loss due to procurement of cables at higher rates without invoking risk and cost clause.(MTNL) |
| 172 | | 6.7 | Loss due to delay in submission of insurance claim. (MTNL) |
| 173 | | 11 (11.1 to 11.5) | Introduction (MTL) |
| 174 | | 12 | Follow up on Audit Reports |