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Report of the Comptroller and Auditor General of India

for the year ended March 2008

Union Government (Commercial)
No. CA 25 of 2009-10

(Compliance Audit Observations)

Telecommunications Sector

CONTENTS

PREFACE

Report No. 25 of the Comptroller and Auditor General of India for the year ending March 2008 has been prepared for submission to the Government 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 35 paragraphs divided into 10 chapters.

Telecom Sector Profile

1. Background

Indian telecom is more than 168 years old, beginning with the commissioning of the first telegraph line between Kolkata and Diamond Harbour in 1839. In 1948, India had only 0.10 million telephone connections with a telephone density of about 0.02 telephone per hundred population. By September 2008 there were 353.66 million telephone (including cellular mobile) connections in the country with a telephone density of 30.64 telephones per hundred population. Out of total 353.66 million telephone connections, 315.31 million (nearly 82 *per cent*) connections pertained to wireless and mobile phones.

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, standardisation/validation of equipment and international relations.

In addition to the Telecom Commission, other Government organisation engaged in the telecom sector is the Centre for Development of Telematics (C-DOT), an autonomous body established in 1984 with the objective of developing a new generation of digital switching items. It has developed wide range of switching and transmission products both for rural and urban applications.

The other two wings of DoT are the Telecom Engineering Centre (TEC) and the Wireless Planning and Coordination (WPC) wing. TEC is devoted to product validation and standardisation 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, wireless licensing, frequency assignments, international coordination for spectrum management and administration of Indian Telegraph Act, 1885 for radio communication systems and 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. 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 DoT. The TRAI Act was amended by an ordinance, on 24 January 2000, establishing a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT). TDSAT was set up to adjudicate any dispute between a licensor and a licensee, two or more service providers, a service provider and a group of consumers, and to hear and dispose of appeals against any direction, decision or order of TRAI.

4. Telecom Policies

The first National Telecom Policy was announced in 1994 with major thrust on universal service and qualitative improvement in telecom services besides starting private sector participation in basic telephone services. 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 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.

The NTP 1999 laid emphasis on universal service and sought to achieve telephone on demand and increase in rural tele-density. In pursuance, a fund named Universal Service Obligation (USO) Fund was established in April 2002 under the administrative control of DoT, to exclusively meet the universal service obligations. The resources for implementation of USO are raised through a Universal Service Levy which has presently been fixed at 5 *per cent* of the Adjusted Gross Revenue of all telecom service providers except the pure value added service providers like internet, Voice Mail, E-Mail service providers, etc.

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

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.

5. Government PSUs in the Telecom Sector

There are six Public Sector Undertakings in the Telecom Sector. Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL) are basically in the business of providing telecommunication services in the country and were incorporated in 1986 and 2000 respectively. MTNL provides telecommunication services in Mumbai and Delhi and rest of the country is covered by BSNL. 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 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 to meet the growing demand in communication and information technology sector. However the company ceased to conduct manufacturing activities and surrendered its manufacturing licence. At present, the company is engaged in trading of computers and other telecommunication system. 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.

6. 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 2008 were as follows:

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	7500.00	12500.00	720.00	38053.40	1500.00	85362.04	4451.55	5.21
MTNL	354.37	—	354.37	—	5329.93	141.75	15849.37	631.65	3.99
ITI	267.47	—	267.47	100.00	1221.39	—	2946.60	(357.23)	(12.12)
TCIL	28.80	—	28.80	—	414.68	—	298.00	3.51	1.18
ICSIL	—	—	—	—	6.99	—	1.20	0.49	40.83
MTL	—*	—	—	—	0.43	—	4.52	0.36	7.96
Total	*5650.64*	*7500.00*	*13150.64*	*820.00*	*45027.02*	*1641.75*	*104461.73*	*4730.33*	*4.53*

* 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. 1,641.75 crore, which worked out to 12.48 *per cent*. The total income and the profit before tax earned by the three telecom PSUs during the year were Rs. 45,027.02 crore and Rs. 4,730.33 crore respectively. On the total capital employed of Rs. 1,04,461.73 crore in the above PSUs, the overall percentage of profit before tax worked out to 4.53 *per cent*.

OVERVIEW

This Audit Report for the year 2007-08 containing 35 paragraphs is presented in 10 chapters:

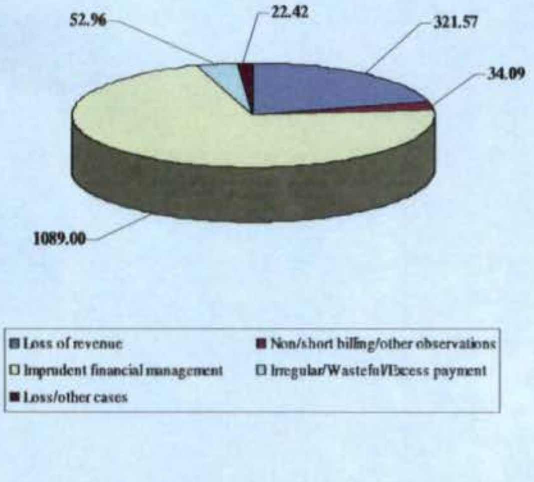
Chapters I to III	Bharat Sanchar Nigam Limited
Chapters IV to V	Mahanagar Telephone Nigam Limited
Chapters VI	ITI Limited
Chapter VII	Telecommunications Consultants India Limited
Chapter VIII	Intelligent Communication Systems India Limited
Chapter IX	Millennium Telecom Limited
Chapter X	Follow up on 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 2007-08 as well as the earlier part of 2008-09. The total quantifiable financial implication of the paragraphs included in this Report is Rs. 1547.47 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. 1520.04 crore as per details given below:

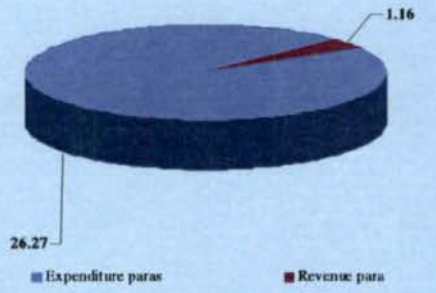


(Rs. in crore)

Revenue and Expenditure paragraphs	
Loss of revenue	321.57
Non/short billing/Other observations	34.09
Imprudent financial management	1089.00
Irregular/Wasteful/Excess payment	52.96
Loss/other cases	22.42
Total	**1520.04**

(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. 27.43 crore as per details given below:



(Rs. in crore)

Revenue and Expenditure paragraphs	
Expenditure paras	26.27
Revenue para	1.16
Total	**27.43**

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 Company is organized into 24 telecom territorial circles and 19 non-territorial circles covering the whole country, besides two Metro Telecom Districts at Chennai and Kolkata. The territorial circles are further divided into Secondary Switching Areas (SSAs), which are the basic management units of the Company. The non-territorial circles such as Telecom Stores, Telecom Factories, Quality Assurance, Training, Projects and Maintenance are responsible for specialized activities.
- As on 31 March 2008, the paid-up equity share capital and preference share capital were Rs. 5,000 crore and Rs. 7,500 crore respectively.
- At the end of March 2008, BSNL had a network of 38,158 telephone exchanges with an equipped capacity of 539.51 lakh lines. Out of this equipped capacity, 361.20 lakh telephone connections (67 *per cent*) were given, though the number of persons on the waiting list was 4.45 lakh. The number of village public telephones decreased from 5.53 lakh as on 31 March 2007 to 5.20 lakh as on 31 March 2008.
- For the year ended 31 March 2008, BSNL earned Rs. 32,359.53 crore from its services. The net profit stood at Rs. 3,009.39 crore.
- An amount of Rs. 5151.63 crore was outstanding against various categories of telephone subscribers at the end of March 2008. Out of the total outstanding amount, 81.20 *per cent* was outstanding against private subscribers, which had decreased by about 1 *per cent* in 2007-08.
- The number of employees per thousand telephone connections including WLL decreased from 8.30 in 2003-04 to 4.26 in 2007-08.

(Paragraph 1)

Chapter II

Revenue paragraphs relating to BSNL based on test audit findings

This chapter on revenue paragraphs is based on the results of test audit, contains cases of loss/non-recovery/non-short billing of Rs. 355.66 crore. BSNL has realised Rs. 1.37 crore at the instance of Audit.

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

Poor call efficiency of Trunk Automatic Exchanges in Patna

Trunk Automatic Exchanges in Patna could maintain Call Completion Ratio ranging between 11 to 18 *per cent* only, against the standard benchmark of 42 to 50 *per cent*. This reflected poor quality of service besides loss of revenue of Rs. 285 crore during the period 2005-08 due to high incidence of missed calls.

(Paragraph 2.1)

Loss of subsidy

Failure of 31 Secondary Switching Areas under Gujarat, Rajasthan, Uttar Pradesh (East), Uttar Pradesh (West) and Maharashtra telecom circles to maintain fault free/functional Rural Household Direct Exchange Lines and Village Public Telephones led to loss of subsidy of Rs. 32.65 crore for the period from June 2002 to March 2008.

(Paragraph 2.2)

Continuation of telephone facilities despite non-payment of dues

Failure to disconnect telephone connections of subscribers and STD PCO operators by due dates, for non-payment of dues in 21 Secondary Switching Areas under Uttar Pradesh (East), Uttar Pradesh (West), Bihar, Jharkhand and Maharashtra telecom circles resulted in non-recovery of revenue of Rs. 14.08 crore.

(Paragraph 2.3)

Non-billing due to non-receipt of advice notes

Twenty six Secondary Switching Areas under Jharkhand, Bihar, Maharashtra telecom circles and Chennai telecom district, failed to coordinate the activities of its Engineering and Telephone Revenue Accounting (TRA) units resulting in non receipt of advice notes by TRA units and consequent failure to raise bills for telecommunication facilities provided. This resulted in non billing of Rs. 5.64 crore for the period from February 2000 to March 2008.

(Paragraph 2.4)

Short billing of rentals

Failure of Secondary Switching Areas under Bihar, Jharkhand and Rajasthan telecom circles to issue rental bills at higher rates commensurate with the enhanced capacity of Telephone exchanges resulted in short billing of Rs 3.92 crore for the period between May 2002 to June 2007.

(Paragraph 2.5)

Non-billing of infrastructure charges

Failure of eight Secondary Switching Areas under Jharkhand and Maharashtra telecom circles to realise infrastructure sharing charges from private service providers, for facilities provided to them, resulting in non-realisation of Rs. 3.30 crore for the period from December 1996 to March 2008.

(Paragraph 2.6)

Chapter III

Expenditure paragraphs relating to BSNL based on test audit findings

This chapter on expenditure paragraphs based on the results of test audit brings out imprudent financial management, irregular/wasteful expenditure and excess payment aggregating Rs. 1164.38 crore.

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

Imprudent financial management

BSNL Corporate office failed to retire Government loan amounting to Rs. 7,500 crore, inspite of having adequate cash reserves in short term deposits with various banks with average rate of return of 6.19 to 7.38 *per cent* per annum as against the rate of interest of 14.50 *per cent* payable *for* the loan during the years 2005-06 and 2006-07. This resulted in extra expenditure of Rs. 1,089 crore, being the interest differential on the unretired Government loan.

(Paragraph 3.1)

Irregular extra payment of Productivity Linked Incentive

BSNL enhanced the maximum permissible limit of Productivity Linked Incentive of its employees from Rs. 12,500 to Rs. 25,000 in contravention of the instructions of Department of Public Enterprises and the Department of Telecommunications. This resulted in irregular extra payment of Rs. 19.78 crore as Productivity Linked Incentive to the Company employees for the year 2005-06.

(Paragraph 3.2)

Avoidable payment of spectrum charges

Failure of Kerala telecom circle to account for Interconnect Usage Charges revenue and expenditure from and to Basic Services of BSNL for computation of Adjusted Gross Revenue of its Mobile services resulted in avoidable payment of spectrum charges of Rs. 12.44 crore.

(Paragraph 3.3)

Excess payment of Service Tax

Nine Secondary Switching Areas in Kerala telecom circle failed to establish proper monitoring /control mechanism and avail eligible Cenvat Credit, during the financial years 2005-07. This resulted in excess payment of Service Tax of Rs. 8.67 crore.

(Paragraph 3.4)

Loss due to non-recovery of WLL instruments

Failure of 32 Secondary Switching Areas under Andhra Pradesh, Gujarat and Madhya Pradesh telecom circles to recover Wireless Terminal instruments, from connections voluntarily closed/disconnected or closed permanently due to non-payment of dues, resulted in loss of Rs. 7.11 crore for the period 2002-08.

(Paragraph 3.5)

Loss due to non-availing of Cenvat Credit

Andhra Pradesh telecom circle failed to register Circle Telecom Store Depot, Secunderabad, as dealer depot to enable it to issue separate invoices indicating stores value and element of excise duty acceptable to the Excise authorities. This resulted in non-availing of Cenvat Credit for stores procured from Telecom Factories and consequent loss of Rs. 5.91 crore.

(Paragraph 3.6)

Non/underutilisation of Digital Loop Carrier systems

Procurement of Digital Loop Carrier systems by four SSAs under the Rajasthan telecom circle without requirement resulted in non/ underutilisation of DLCs valuing Rs. 4.91 crore.

(Paragraph 3.7)

Irregular extra expenditure on hiring of personnel

Hiring of personnel in excess of sanctioned strength in four Secondary Switching Areas of Madhya Pradesh telecom circle for infrastructure maintenance and upkeep services resulted in irregular extra expenditure of Rs. 3.70 crore during the years 2003-2008.

(Paragraph 3.8)

MAHANAGAR TELEPHONE NIGAM LIMITED

Chapter IV

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

Mahanagar Telephone Nigam Limited (Company) was incorporated in February 1986 under the Companies Act, 1956 and commenced its operations by taking over the management, operations and control of the telephone network (except public telegraph services) of the erstwhile Union Territory of Delhi and three Municipal Corporations of Mumbai. The aspects highlighted in the Chapter are as under:

- Against the authorised equity share capital of Rs. 800 crore, the paid-up capital, as on 31 March 2008, was Rs. 630 crore, of which Rs. 354.37 crore had been invested by the Government of India. At the end of 31 March 2008, the return on the said investment in the form of dividend paid by the Company was 40 *per cent*.
- The overall capacity utilisation of telephone exchanges went down from 73 *per cent* in 2003-04 to 59 *per cent* in 2007-08 due to lack of demand.
- The number of cellular mobile telephones had increased from 3.60 lakh in 2003-04 to 32.42 lakh in 2007-08. The number of public telephones decreased from 2.79 lakh in 2004-05 to 2.39 lakh in 2007-08.
- During 2007-08, the Company earned Rs. 4722.52 crore from its services. The profit before tax was Rs. 811.72 crore and after providing for tax, the net profit stood at Rs. 586.89 crore. Profit after tax had decreased by 14 *per cent* compared to the previous year mainly on account of decrease in income from services by 4 *per cent* over the last year's income, although the expenditure also decreased by 2 *per cent* over the previous year's expenditure.
- The revenue arrears during the three years up to 2007-08 remained static at 29 *per cent* of the total revenue. The percentage of doubtful revenue arrears to total revenue arrears which was 11 *per cent* for the year 2004-05 had increased to 28 *per cent* for the year 2007-08.
- The number of employees per thousand telephone connections (including cellular mobile connections) decreased from 11.53 in 2003-04 to 6.57 in 2007-08.

(Paragraph 4)

Chapter V

Revenue and expenditure paragraphs relating to MTNL based on test audit findings

This chapter contains revenue and expenditure paragraphs based on the results of test audit, having a financial implication of Rs. 27.43 crore.

Some of the important cases were as under:

Idle investment on construction of Hostel building

Failure to comply with the conditions stipulated by Mumbai Municipal Corporation and obtain the requisite occupancy certificate from it resulted in non occupation of the top eight floors of the Hostel building for more than five years by MTNL, Mumbai. This resulted in idling of investment of Rs. 16.24 crore.

(Paragraph 5.1)

Extra expenditure due to non-availing of Bill Mail Service

MTNL, Mumbai failed to avail the cheaper Bill Mail Service provided by the Department of Post and dispatched telephone bills through ordinary post at higher rates. This resulted in extra expenditure of Rs. 6.10 crore during the period from April 2004 to March 2007.

(Paragraph 5.2)

Excess payment of Security Deposit

Failure of MTNL, Mumbai to claim refund of excess paid security deposit with Brihanmumbai Electricity Supply and Transport Undertaking, resulted in blocking of Rs. 2.98 crore and loss of interest of Rs. 20.43 lakh, being the differential between the interest allowed by BEST and the interest earned by the Company on its deposits with the banks as on December 2007.

(Paragraph 5.3)

ITI LIMITED

Chapter VI

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

Indian Telephone Industries Limited, Bangalore was incorporated in January 1950 as a Company and was renamed as ITI Limited in January 1994. The Company has production units located at Bangalore, Palakkad, Naini, Raibareli, Mankapur and Srinagar, where various categories of telecommunications products like switching equipment, transmission equipment, satellite communication equipment, optical equipment and telephone instruments are manufactured. The aspects highlighted in the Chapter are as under:

- Against the authorised equity share capital of Rs. 700 crore, the paid-up capital was Rs. 588 crore (equity capital: Rs. 288 crore and cumulative redeemable preference shares: Rs. 300 crore) as on 31 March 2008. Out of this, Rs. 267.47 crore had been invested by the Government of India.
- Since the Company was incurring losses since 2002-03, no dividend was paid for the years 2002-03 to 2007-08.
- In respect of switching products (except C-DOT exchanges), there was a decline in utilization of installed capacity from 47 *per cent* during 2004-05 to 21 *per cent* during 2007-08.
- The Company incurred huge losses of Rs. 705.83 crore during the year 2003-04 mainly due to poor sales performance and high expenditure. The loss during the year 2004-05 came down to Rs. 309.82 crore mainly on account of receipt of grant in aid from Government of India. The losses of Rs. 427.55 crore and Rs. 404.70 crore respectively during 2005-06 and 2006-07 were due to increase in cost of sales. The reduction in loss to Rs. 357.23 crore during the year 2007-08 was due to receipt of Grant-in-Aid from Government of India.
- The percentage of debtors remained almost at par with the sales figures during 2003-04 to 2006-07, but rose to 1.5 times during 2007-08.

(Paragraph 6)

TELECOMMUNICATIONS CONSULTANTS INDIA LIMITED

Chapter VII

Introduction, organisational setup, investment and returns, financial performance and manpower

Telecommunications Consultants India Limited (TCIL) was incorporated in 1978 as a Company to provide know-how in the area of expansion and modernisation of telecommunications network. The Company has taken up consultancy services and turnkey projects not only in India, but also globally.

- Against the authorised equity share capital of Rs. 30 crore, the paid-up capital was Rs. 28.80 crore as on 31 March 2008, which had been fully invested by the Government of India. Present paid-up share capital include value of Bonus shares of Rs. 28.50 crore consisting of one 2:1 and five 1:1 bonus issues. TCIL commenced business with initial seed capital of Rs. 30 lakh during 1978-83 invested by Government.

- At the end of 31 March 2008, the total income from projects was Rs. 386.34 crore. The profit before tax was Rs. 3.51 crore and after providing for tax, the net profit after tax stood at Rs. 2.12 crore.

(Paragraph 7)

INTELLIGENT COMMUNICATION SYSTEMS INDIA LIMITED

Chapter VIII

Introduction, organisational setup, investment and returns, financial performance and manpower

Intelligent Communication Systems India Limited (Company), a joint venture of TCIL and Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) 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 communications systems in India and abroad.

- The authorised as well as paid-up equity capital of the Company, as on 31 March 2008, was Rs. 1.00 crore.
- At the end of 31 March 2008, the total income earned was Rs. 6.65 crore. The profit before tax and after providing for tax, for the year 2007-08 was Rs. 49.14 lakh and Rs. 41.70 lakh respectively.

(Paragraph 8)

MILLENNIUM TELECOM LIMITED

Chapter IX

Introduction, organisational setup, investment, financial performance and manpower

Millennium Telecom Limited (Company) was incorporated in February 2000 under the Companies Act 1956 as a wholly owned subsidiary of Mahanagar Telephone Nigam Limited (MTNL) for providing Internet services throughout India.

- Against the authorised equity capital of Rs. 100 crore, the paid up capital as on 31 March 2008 was Rs. 2.88 crore which was totally subscribed by MTNL.
- The Company recorded a meager net profit before tax of Rs. 36 lakh during 2007-08.

(Paragraph 9)

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 providing 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 was 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 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 with the Board of Directors headed by the Chairman and Managing Director (CMD), who is assisted by five functional Directors (Finance, Commercial and Marketing, Operations, Human Resource Development and Planning and New Services).

The Company is organized into 24 telecom territorial circles and 19 non-territorial circles covering the whole country, besides two Metro Telecom Districts at Chennai and Kolkata. It, however, does not serve the metropolitan cities of Mumbai and Delhi and their adjoining areas, which are served by

Mahanagar Telephone Nigam Limited. The territorial circles are further divided into Secondary Switching Areas (SSAs), which are the basic management units of the Company. The non-territorial circles such as Telecom Stores, Telecom Factories, Quality Assurance, Training, Projects and Maintenance are responsible for specialised activities.

1.3 Investment and Returns

Against the authorised equity share capital of Rs. 10,000 crore and 9 *per cent* preference share capital of Rs. 7,500 crore, the paid-up equity share capital and preference share capital as on 31 March 2008 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, an amount of Rs. 7,500 crore had been treated as loan to the Company from the Government. This loan carried a moratorium on repayment of principal and interest up to 31 March 2005 and carried interest at the rate of 14.5 *per cent* per annum from April 2005. As of 31 March 2008, the principal amount of loan was 'nil' and the interest accrued and due was Rs. 2668.30 crore as the Company had repaid Rs. 2000 crore Rs. 2500 crore and Rs. 3000 crore during the years 2005-06, 2006-07 and 2007-08 respectively. However, according to the Department of Telecommunications (DoT), the principal was outstanding to the extent of Rs. 2800 crore since the disputed interest amounts were adjusted by the DoT whom the company had prepaid the entire outstanding loan.

The Company was exempted from payment of dividend on 9 *per cent* preference share capital up to 31 March 2004 and 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, the Company proposed a dividend of Rs. 1200 crore (Rs. 525 crore on equity share capital and Rs. 675 crore on preference share capital) for the year ending 31 March 2008 and paid as a interim dividend of Rs. 300 crore on equity share capital.

The Company received/accounted for Rs. 1,719.15 crore and Rs. 467.21 crore for the years ended 31 March 2007 and 2008 respectively from the Universal Service Obligation Fund towards reimbursement for provision, operation & maintenance of Village Public Telephones (VPTs) and rural household connections.

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 2008 is given below:

Telephone Network	As on 31 March 2004	As on 31 March 2005	As on 31 March 2006	As on 31 March 2007	As on 31 March 2008
No. of telephone exchanges	36618	37040	37382	37808	38158
Total equipped capacity of direct exchange lines (DELs) including WLL (in lakh)	485.60	498.20	513.93	526.75	539.51
No. of telephone connections (DELs) including WLL (in lakh)	363.94 (75%)	374.88 (75%)	379.95 (74%)	372.95 (71%)	361.2 (67%)
No. of persons on the waiting list (in lakh)	17.55	16.20	12.10	8.97	4.45
No. of cellular mobile telephone connections (in lakh)	52.54	94.47	171.64	274.29	362
No. of village public telephones (in lakh)	5.10	5.19	5.35	5.53	5.2

*figures in brackets indicate percentage of capacity utilization.

- 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 75 *per cent* in 2003-04 to 67 *per cent* in 2007-08.

- Despite availability of equipped capacity, persons were still on the waiting list during each of the years 2003-04 to 2007-08, though the numbers have steadily decreased; the reasons for the waiting list were the presence of large 'Technically Not Feasible' 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 52.54 lakh in 2003-04 to 362 lakh in 2007-08.

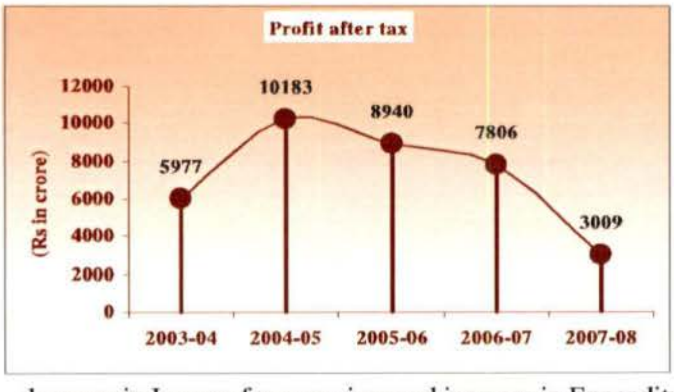
- The number of village public telephones decreased marginally from 5.53 lakh in 2006-07 to 5.20 lakh in 2007-08.

1.4.2 Financial performance

The financial results of the Company for the last five years ending 31 March 2008 were as follows:

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Income from services	31399.34	33450.04	36138.94	34616.21	32359.53
Other income	2519.25	2640.05	4037.64	5098.90	5693.87
Expenditure (excluding interest and prior period adjustments)	27075.29	29372.24	30817.26	30686.25	32773.89
Interest	88.24	29.29	1089.80	779.41	862.54
Profit before tax and prior period adjustments	6755.07	6688.56	8269.52	8249.45	4416.97
Prior period adjustments	(58.90)	(534.38)	(405.50)	(95.64)	34.58
Profit before tax & extraordinary items of income	6696.17	6154.18	7864.02	8153.81	4451.55
Extraordinary items of income (reimbursement by Govt. of losses incurred on rural telephony operations)	2300.00	1765.90	582.96	–	–
Profit before tax	8996.17	7920.08	8446.99	8153.81	4451.55
Tax provision	3019.64	(2263.21)	(492.71)	347.94	1442.16
Profit after tax	5976.53	10183.29	8939.69	7805.87	3009.39
Proposed/Paid Dividend (inclusive of tax)	318.01	1337.88	1339.79	1359.84	1754.93



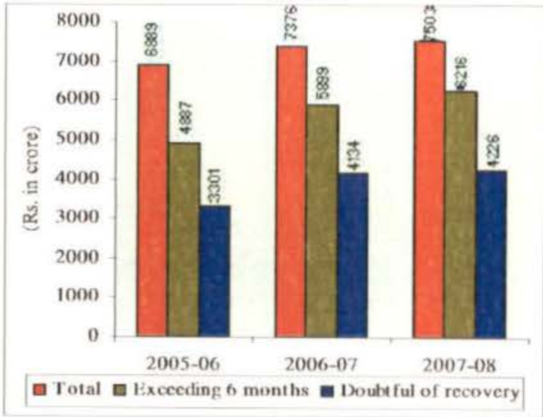
It may be seen that there was a sharp decrease (61.45 *per cent*) in profit after tax for the year ending 31 March 2008 compared to the previous year's profit, mainly on account of decrease in Income from services and increase in Expenditure.

1.5 Revenue Arrears

1.5.1 The position of revenue arrears for the three years ending March 2008 is given in the following table:

(Rs. in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08
1.	Revenue Income	36138.94	34616.21	32359.53
2.	Sundry Debtors (a)Exceeding 6 months (b) upto 6 months **Total of (a) + (b)**	 4887.41 (71%) 2001.97 **6889.38**	 5898.89 (80%) 1477.53 **7376.42**	 6216.38 (83%) 1286.19 **7502.57**
3.	Revenue Arrears	**6889.38**	**7376.42**	**7502.57**
4.	Percentage of revenue arrears to revenue income	**19**	**21**	**23**
5.	Revenue arrears considered doubtful of recovery	**3301.09**	**4134.31**	**4226.22**
6.	Percentage of doubtful revenue arrears to total revenue arrears	**48**	**56**	**56**



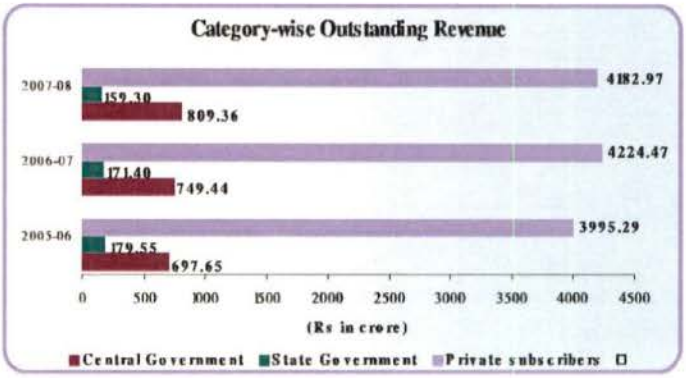
It may be seen that the percentage of revenue arrears to revenue income which was 21 *per cent* for the year 2006-07 increased to 23 *per cent* in 2007-08. However, the percentage of doubtful revenue arrears to total revenue arrears remained static at 56 *per cent* during the years 2006-07 and 2007-08.

1.5.2 Outstanding telephone dues

The category-wise break up of outstanding telephone dues against various categories; during the years 2005-06 to 2007-08, are shown in the table below:

(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
2005-06	697.65	14.32	179.55	3.68	3995.29	82
2006-07	749.44	14.57	171.40	3.33	4224.47	82.10
2007-08	809.36	15.71	159.30	3.09	4182.97	81.20



An amount of Rs. 5151.63 crore was outstanding against various categories of telephone subscribers at the end of March 2008. Out of the total outstanding amount of 2007-08, 81.20 *per cent* was outstanding against private subscribers, 15.71 *per cent* against Central Government departments and 3.09 *per cent* against various State Governments. The amount of outstanding bills against private subscribers had decreased by about 1 *per cent* in 2007-08. However, BSNL should make concerted efforts to recover the huge outstanding amount from the private subscribers.

1.6 Manpower

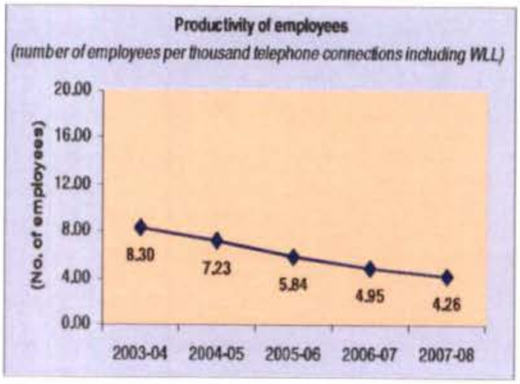
The total manpower of the Company at the end of each of the last five years ending 31 March 2008 is given in the following table:

Year	Group A	Group B	Group C	Group D	Industrial workers	Total manpower	Daily Rated Mazdoors
2003-04	7889	49158	238042	47090	3673	**345822**	3899
2004-05	6947	51242	230556	47525	3583	**339853**	3867
2005-06	7600	54257	213054	48319	3718	**326948**	3648
2006-07	7533	52109	211822	45259	3783	**320506**	3423
2007-08	7564	50843	202481	44206	2992	**308086**	3096

There was an overall decrease in the manpower during 2007-08 compared to the previous year except in case of Group A, under which manpower increased marginally by 0.41 *per cent.*

1.7 Productivity

The productivity per thousand telephone connections including WLL and cellular mobile telephone connections (i.e., the ratio of employees per thousand telephone connections) of the Company for the year 2003-04 was 8.30, which improved to 4.26 during 2007-08.



CHAPTER II

MAJOR FINDINGS IN TRANSACTION AUDIT - REVENUE

2.1 Poor call efficiency of Trunk Automatic Exchanges in Patna

Poor call completion ratio of Level-1 Trunk Automatic Exchanges in Patna, ranging between 11 to 18 *per cent* as against the standards of 42 *per cent*, reflected poor quality of service besides loss of revenue of Rs. 285 crore during the period 2005-08.

Trunk Automatic Exchange (TAX) is the nerve center of transmission network in Bharat Sanchar Nigam Limited (BSNL) as incoming and outgoing calls from one end to another get routed through it connecting the subscribers of the country and abroad.

The Company laid down critical performance parameters• such as call completion ratio (CCR) for judging the efficiency level of TAX. CCR is the ratio of number of completed calls to the number of call attempts. The Company fixed the standard benchmark of CCR in TAX between 42 to 50 *per cent*.

Audit scrutiny (October 2007) of the records of the General Manager (Maintenance), Eastern Telecom Region (ETR), Patna revealed that the overall average CCR remained between 11 to 18 *per cent* as against norm of average minimum of 42 *per cent* during 2005-08 in three* Level-1 TAX in Patna indicating missed calls beyond permissible limits and consequent loss of revenue. Audit further noticed that the CCR remained poor due to the following reasons.

- The Corporate office in November 2004 instructed for carrying out technical audit of Level-1 TAX to investigate reasons of poor performance. Audit however noticed that though the technical audit findings were given in November 2004 itself the ETR, Kolkata failed to take action till January 2006.
- A Task Force was constituted in January 2006 and it submitted its report only in February 2007 listing 13 major actionable points such as commissioning of gateway mobile switching centre where point of interconnection (POI) of private service providers (PSPs) was to be shifted from Level-1 TAX; commissioning of POIs which were in the pipeline; and synchronization of TAXs. Although action was taken for implementing the same, Audit found that the CCR did not improve much.

Audit examined the Task Force report and the progress of its implementation and noticed that the actionable points covered only the macro level technical issues of general nature without providing details of execution of the plan. Hence disjointed efforts by different agencies did not yield any result and the CCR remained poor. Thus delays in identifying the bottlenecks and thereafter failure to synchronise

• Call processing efficiency, Circuit seizure efficiency, Answer to seizure ratio.

* OCB TAX Patna (PT-1), EWSD TAX Patliputra (PT-2) and AXE-10 TAX Rajendranagar (PT-3).

and execute each actionable point identified by the Task Force within a set time frame resulted in non improvement of CCR since 2004 and consequent loss of revenue of Rs. 285 crore[*] during 2005-2008 on approximation basis due to high incidence of missed calls ***(Appendix-I)***.

On this being pointed out by Audit, the GM (M), ETR, Kolkata stated that the loss calculated was hypothetical as it was assumed that all failed calls resulted in revenue loss. He also mentioned that repeated call attempts could fail as the intended called person might be busy or it could be a call back request. The switches recorded these missed calls as failed calls but no revenue loss occurred. Further it was stated that the performance of Level-1 TAXs invariably depended on the performance of the terminating networks such as Level-2 TAX, BSNL mobile network and PSPs network in Bihar.

The reply is not tenable as Audit had considered only 42 per cent CCR (balance 58 per cent) leaving ample scope for accommodating missed calls on account of called person getting busy, pending call back request, net work congestion, and limitation of capabilities of SDCA networks. Although the performance of Level-1 TAXs was dependent on the performance of other network elements, but these areas were identified by the Task Force. Failure to take appropriate action on these identified areas had resulted in continued poor CCR.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

2.2 Loss of Subsidy

Failure of 31 Secondary Switching Areas under Gujarat, Rajasthan, Uttar Pradesh (East) Uttar Pradesh (West) and Maharashtra telecom circles to maintain fault free/functional Rural Household Direct Exchange Lines and Village Public Telephones led to loss of subsidy of Rs. 32.65 crore for the period from June 2002 to March 2008.

Universal Service Obligation as envisaged in the New Telecom Policy 1999 (NTP-99) aimed at providing basic telephone services for all, including people in rural and remote areas, at reasonable and affordable prices. Financial support in the form of subsidy was to be granted from the Universal Service Obligation Fund (USOF) by the Administrator, USOF, to eligible Universal Service Providers (USPs) for specified services, which include provision/maintenance of Rural Household Direct Exchange Lines (RDELs), operation and maintenance (O&M) of Village Public Telephones (VPTs) and replacement of Multi Access Radio Relay (MARR) technology VPTs in specific areas as determined by the Central Government from time to time. Bharat Sanchar Nigam Limited (BSNL), as an USP, had entered into agreements with Department of Telecommunications (DoT), the Administrator, USOF for subsidy support from USOF for rural telephony.

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[*] The calls received in TAX originate from BSNL home network and other operators network. BSNL was not in a position to furnish split up figures of home network calls and other operators network calls. Hence all the calls were treated as home network calls and loss of revenue was calculated @ Rs 1.20 per call.

The subsidy from USOF for rural telephone services includes (i) a front loaded component which is to be paid in the quarter when the service for which it is being given installed/made functional, and (ii) an equated annual subsidy component, to be paid quarterly against claims raised SDCA wise by the USP within 30 days of the end of the quarter, up to a maximum period of validity of the relevant Agreement. However, if any of the RDELs/VPTs remained faulty or non-functional for more than seven days in a quarter, the subsidy payable would be reduced proportionately for the number of days they remained faulty or non-functional. In case the fault persisted for 45 days or more in a quarter, no subsidy for the entire quarter would be paid for the VPT/RDEL. Further, in the case of RDELs, in the event of non-achievement of roll out obligations/targets as mentioned in the agreements, the Administrator would be entitled to recover liquidated damages for the shortfall, up to a maximum of ten *per cent* of the front loaded subsidy payable for those RDELs.

Audit scrutiny (June 2007 and February 2008) of records relating to subsidy claims pertaining to 13 Secondary Switching Areas (SSAs) under Gujarat telecom circle revealed that despite sufficient spare capacity in exchanges and ample waiting list, RDELs were not provided in the specified SDCAs in these SSAs, resulting in loss of subsidy. Audit also noticed that in 18 SSAs under Rajasthan, Uttar Pradesh (East), Uttar Pradesh (West) and Maharashtra telecom circles, VPTs remained faulty or non-functional for more than seven to 45 days during a quarter. This resulted in loss of subsidy of Rs. 32.65 crore for the period from June 2002 to March 2008 as detailed in the ***(Appendix-II)***.

On this being pointed out by Audit, the Managements of all the above SSAs accepted (between December 2006 and February 2008) the audit observations. Rajasthan, UP(West), UP (East) and Mumbai telecom circles replied that necessary steps would be taken to maintain fault-free/functional VPTs. Rajkot, Surat and Godhra SSAs under Gujarat telecom circle stated that RDELs could not be provided due to non-availability of the instruments/other infrastructure.

Failure of the circles/SSAs to provide/maintain functional and fault-free rural telephony services led to loss of subsidy of Rs. 32.65 crore for the period from June 2002 to March 2008.

The matter was referred to the Ministry in August/September 2008; its reply was awaited (October 2008).

2.3 Continuation of telephone facilities despite non-payment of dues

Twenty one Secondary Switching Areas in five telecom circles failed to disconnect telephone connection of subscribers for non-payment of dues resulting in non-recovery of Rs. 14.08 crore.

Rules in Bharat Sanchar Nigam Limited (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 by the 35^{th} day from the dates of issue of bills. 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 this provision in February and October 2003.

Audit scrutiny of records of 21 Secondary Switching Areas (SSAs), under Uttar Pradesh (East), Uttar Pradesh (West), Bihar, Jharkhand and Maharashtra telecom circles revealed that despite non-payment of dues within the due dates, subscribers were allowed to continue telephone services without disconnection. This resulted in non-recovery of revenue of Rs. 14.08 crore from subscribers during the period from January 1993 to March 2008, as shown in the ***(Appendix-III)***.

On this being pointed out by Audit, Chief Accounts Officer of the office of General Manager Telecom District, Noida stated that Rs. 72.92 lakh had been recovered. SSAs of Bihar and Jharkhand telecom circles accepted the facts and figures and CGMT Bihar telecom circle informed (July 2008) that recovery of Rs. 47.25 lakh had been made. Kolhapur and Jalna SSAs under Maharashtra telecom circle recovered Rs. 2.67 lakh and Rs. 13.40 lakh respectively. The total recovery made by the SSAs was Rs. 2.28 crore as against Rs. 14.08 crore pointed out by Audit. This indicates lack of adequate controls for timely disconnection of telephone services for non payment of dues.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

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

Failure of 26 Secondary Switching Areas under Jharkhand, Bihar, Maharashtra telecom circles and Chennai telecom district to raise bills for telecom facilities due to non-receipt of advice notes resulted in non-realisation of Rs. 5.64 crore.

The Engineering unit of a telecom district is required to send completed advice notes to the Telephone Revenue Accounting (TRA) branch within seven days of providing telecommunications facilities to enable the latter to post the details in the Subscriber Record Card (SRC) and issue bills to the subscribers. The TRA branch is also required to obtain a list of non-directory items from the operating branch in April each year and check it with the SRCs to ensure that the rentals in respect of all the telecommunication facilities have been recovered.

Test check of records of 26 Secondary Switching Areas under Jharkhand, Bihar, Maharashtra telecom circles and Chennai telephones district during June 2006 to February 2008 revealed that the bills for rentals in respect of various subscribers were not raised due to non-receipt of advice notes by the TRA for the period from February 2000 to March 2008 resulting in non-billing of Rs. 5.64 crore as shown in the ***Appendix-IV***.

On this being pointed out by Audit, supplementary bills were issued by the Jharkhand and Bihar circles and an amount of Rs. 2.72 crore ***(Appendix-IV)*** was realised. The recovery particulars of the balance amount of Rs. 2.92 crore were awaited as of April 2008.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

2.5 Short billing of rentals

Failure of Secondary Switching Areas under Bihar, Jharkhand and Rajasthan telecom circles to issue rental bills at higher rates commensurate with the enhanced capacity of exchanges resulted in short billing of Rs. 3.92 crore.

Rules, as adopted by Bharat Sanchar Nigam Limited (BSNL), provide for rates of rentals based on the total equipped capacity of an exchange/ multi-exchange/Short Distance Charging Area (SDCA) for rural and urban areas. The Corporate Office of BSNL clarified (November 2003) that the total equipped capacities of all the exchanges in the concerned SDCA should be taken into consideration for the purpose of billing of rentals for urban subscribers. The higher the total exchange capacity, higher would be the rates of rentals.

Test check of records of Secondary Switching Areas (SSAs) under Bihar, Jharkhand and Rajasthan Telecom Circles revealed that though the equipped capacities of exchanges were enhanced and the exchange areas were classified as falling under urban areas, there was a failure to enhance the rent and call charges accordingly, resulting in short billing of Rs. 3.92 crore for the period between May 2002 to June 2007 as shown in the ***(Appendix-V)***.

On this being pointed out, Accounts Officers (TRA) of the SSAs under Bihar and Jharkhand circles while accepting the fact, stated that short billing was due to non-receipt of information regarding expansion of exchange capacity from the Planning wing and that the supplementary bills would be issued. GMTD Jodhpur, Rajasthan telecom circle, stated (January 2008) that the rates were not enhanced fearing a reduction in BSNL customer base and the matter was being taken up with the Corporate office for relaxation based on its circular of December 2006. The reply is not tenable because enhancement of tariff was due from May 2002, four years earlier to the issue of circular of December 2006 by the Corporate office.

Thus, failure to revise the rentals based on enhanced exchange capacity resulted in short billing of Rs. 3.92 crore.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

2.6 Non-billing of infrastructure charges

Failure of eight Secondary Switching Areas under Jharkhand and Maharashtra telecom circles to realise infrastructure sharing charges for the facilities provided to private telecom providers resulted in non-billing of Rs. 3.30 crore.

The licensed private service providers (PSPs) commenced launching of their services from 1995-96, and sought 'Points of Interconnections' (POIs)[1] in their

[1] POI means giving a connection in multiples of ports for establishing interconnection between two networks.

jurisdiction for interconnection with public switched telephone network (PSTN) of Bharat Sanchar Nigam Limited (BSNL). Initially BSNL provided POIs through active links[2]. However, from April 2002, BSNL also started providing POIs to PSPs through passive links[3].

For providing POIs and for installation and operation of their transmission equipment inside the BSNL's exchange premises, BSNL was entitled to recover fixed annual charges in the form of port charges and charges for providing infrastructure facilities such as buildings, space, power, towers, cable ducts from the PSPs as prescribed vide Corporate office instructions issued from time to time. Initially the infrastructure sharing charges were on an *adhoc* basis at the rate of Rupees two lakh per site for radio links and Rupees one lakh per site for cable based links for cellular mobile and basic service providers respectively. In February 2001, separate charges for infrastructure sharing of active/passive links, power, space, cable duct, towers etc were issued with instructions to prefer fresh demand on the PSPs after adjusting the *ad-hoc* charges collected earlier. By April 2002, BSNL had permitted the interconnection of networks through passive links and an undertaking was obtained from the PSPs that the charges for the same was payable retrospectively as and when finalized. Subsequently, infrastructure sharing charges for all other components, other than links, were revised from May 2006 and for active/passive links from April 2006/June 2006 respectively. For active links there was provision for ten percent increase in charges every year, from 1 April 2006.

Test check of records (May 2006 to January 2008) of two SSAs under Jharkhand telecom circle and six SSAs under Maharashtra telecom circle revealed that no cognizance was taken of the above instructions issued from time to time, resulting in non-billing/realisation of infrastructure charges amounting to Rs. 2.22 crore for the period from February 2001 to March 2008. Besides, in two SSAs viz GMTD Jameshdpur and PGMTD Pune non-billing of Rs. 1.08 crore was observed. The details are shown in the ***Appendix-VI***.

On this being pointed out telecom district Dhanbad and Ranchi raised bills for Rs. 69.26 lakh and realised Rs 4.11 lakh. According to General Manager (Finance) Maharashtra telecom circle, SSAs of Parbhani, Sangli, Gadchroli, Chandrapur, Nagpur, Pune and Solapur had also issued bills and realised Rs. 1.55 crore. Recovery of the balance amount of Rs. 1.61 crore was awaited as of March 2008.

The matter was referred to the Ministry in April 2008; its reply was awaited (October 2008).

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[2] Active links means the links in which the transmission equipments of PSPs are installed in BSNL exchange premises and their networks are connected through these equipments to BSNL's network.

[3] Passive links means the links in which transmission equipments of PSPs are installed close to BSNL exchange premises and only transmission cable with/without modem are brought into the BSNL's exchange premises and the networks of PSPs are connected to BSNL's network through these transmission cables.

2.7 Loss of revenue due to delay in provision of leased circuits

Failure of four Secondary Switching Areas under Bihar, Jharkhand, Maharashtra and Orissa telecom circles to provide leased circuits and points of interconnections within stipulated time resulted in loss of potential revenue of Rs. 2.90 crore.

Bharat Sanchar Nigam Limited (BSNL) issued (March 2001) instructions for speedy provision of leased circuits. It was inter-alia stated therein that final advice note should be issued by FAX immediately on receipt of payment and the circuit commissioned within seven days of the issue of final advice note. In respect of point of interconnection (PoI), the Corporate office instructed (December 2005), that the PoIs should be commissioned within a period of 90 days from the date of receipt of payment.

Test check of records between June 2007 to October 2007 of Telecom District Manager, Ara under Bihar telecom circle, General Manager Telecom Manager Ranchi under Jharkhand telecom circle, Principal General Manager Telecom District Pune under Maharashtra telecom circle and Telecom District Engineer Phulbani under Orissa telecom circle revealed that during the period from January 2004 to May 2007 there were delays ranging from 13 to 854 days in the provision of 81 leased circuits and 112 to 300 days in the case of six PoIs. This delay in provision of circuits and PoIs resulted in loss of potential revenue of Rs. 2.90 crore for the period from January 2004 to May 2007, as shown in the *(Appendix-VII)*.

On this being pointed out by Audit, Ranchi, Pune and Ara SSAs accepted the facts and figures. The Chief General Manager Telecom Orissa stated (January 2008) that there were delays in providing the circuits as these circuits were provided for the first time by the SSA and considerable time was required for installation of software. This reply is not tenable as the SSA should have installed the software in advance as per BSNL Headquarters' instructions issued in 2001 and 2005.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

2.8 Non-realisation of claims

Short/Non-claiming of dues by three telecom circles from the Controller of Communication Accounts resulted in non-realisation of Rs 2.74 crore during the period 2000-2008.

Consequent on formation of Bharat Sanchar Nigam Limited (BSNL) with effect from 1 October 2000 all the employees of erstwhile Department of Telecom Operations and Department of Telecom Services were deemed to be on deputation to BSNL. Subsequently group 'B', 'C' and 'D' employees were absorbed in BSNL with retrospective effect from 1 October 2000. With a view to ensure settlement of retirement / pensionary and other benefits of the staff working in the BSNL and continuing with Department of Telecommunications (DoT) initially 'DoT Cell' was formed from October 2000. In February 2002 the nomenclature was changed from 'DoT Cell' to 'Controller of Communication Accounts' (CCA) with increased scope of their functions such as License fee collection, settlement of Universal Service Subsidy claims, Spectrum revenue billing and collection including settlement of retirement benefits.

Audit scrutiny (September-December 2007) of the records of Chief General Managers (CGMs), West Bengal telecom circle, Eastern Telecom Region (ETR) and Eastern Telecom Project (ETP) revealed that group 'B', 'C' and 'D' BSNL employees were on deputation to the office of the CCA since October 2000 and their pay and allowances were being drawn by the respective Telecom circles. Audit further noticed that the three Telecom circles failed to recover the same from the CCA as brought out below.

- West Bengal telecom circle incurred an expenditure of Rs. 3.04 crore on pay and allowances of its staff deputed to CCA during October 2000 to August 2007. Against this the circle raised claims of Rs. 2.21 crore resulting in non-claim of Rs. 83.96 lakh. Audit further noticed that out of the claimed amount of Rs. 2.21 crore, the CCA was paid Rs. 1.59 crore resulting in short-recovery of Rs. 61.81 lakh.
- Similarly ETR and ETP also did not prefer any claim on CCA for the period October 2000 to May 2007 resulting in non-realization of Rs. 1.29 crore.

On this being pointed out by Audit, the Management stated (October 2008) that claims have been raised and the matter would be taken up with DoT.

Thus failure of West Bengal telecom circle, ETR and ETP to raise claims and pursue the matter with CCA, resulted in non-realisation of Rs. 2.74 crore for the period from October 2000 to August 2007 ***(Appendix-VIII)***.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

2.9 Short/Non-billing of port charges

Failure to realise port charges from private operators in 3 telecom circles in Chennai resulted in non/short billing to the tune of Rs. 1.46 crore.

Port charges are entry charges for allowing private operators to access to the BSNL's (Company) network. In order to obtain access and interconnectivity, the private service providers have to enter into interconnect agreements, which among other things, provide for collection of annual charges for the ports as prescribed from time to time. Audit scrutiny revealed non/short billing of port charges in respect of existing /surrendered ports from private telecom providers as brought out below:

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

Test check of the records of Coonoor, Coimbatore and Vellore SSAs under the circle revealed that contrary to the instructions of the CGMT, the SSAs continued to bill port charges from the dates of commissioning of the ports, though the period of one month from the dates of sanction expired earlier. This resulted in short billing of port charges of Rs. 37.77 lakh from May 2003 to January 2006. Further test check of the records of Pondicherry, Coonoor and Trichy SSAs also revealed that after the recovery of port charges from private service providers for the first year through initial demand notes, subsequent bills for port charges of Rs. 8.71 lakh from February 2006 to March 2008 were not realised.

On this being pointed out by Audit, Pondicherry, Coonoor and Trichy SSAs issued supplementary bills for Rs. 11.92 lakh out of which Rs. 7.57 lakh were realised/adjusted. Coimbatore SSA had agreed to issue supplementary bills. Thus failure to follow instructions resulted in non/short billing of Rs. 46.48 lakh for the period from May 2003 to March 2008.

(ii) In an another case instructions issued (September 2005) by the Company stipulated that in case of working ports of private operators surrendered on the operators own request, or disconnected by the Company based on traffic justification, port charges applicable for an year was to be realised from the operators. The charges, applicable for the period of one year from the date of surrender, was to be adjusted from the advance port charges available with BSNL against unused period of ports and the balance amount should be paid by the private operators.

Audit scrutiny of records of five Secondary Switching Areas (SSAs) under the Tamilnadu telecom circle, Deputy General Manager (LD&NVS) under Chennai Telephones and office of the Chief General Manager, Southern Telecom Region (STR) Chennai (December 2006 to December 2008) revealed that port charges were not being billed in case of surrender of ports by various private operators in these circles, resulting in non billing of Rs. 99.39 lakh for the period February 2006 to November 2008, as shown in ***(Appendix-IX)***.

On this being pointed out, the units stated that supplementary bills were being issued. Against the total non billing noticed, Rs. 71.31 lakh had been realised by Tamilnadu circle, Chennai Telephones and STR, Chennai and recovery details of the balance amount of Rs. 28.08 lakh was awaited, as of July 2008.

The matter was referred to the Ministry in April/September 2008; its reply was awaited (October 2008).

2.10 Non/short billing of leased circuits and Multi Protocol Label Switching Virtual Private Network

Failure of four Secondary Switching Areas under four telecom circles to realise advance rental for various leased and MPLS-VPN circuits and non-revision of rental on upgradation of bandwidth of ports resulted in non/short billing of Rs. 1.17 crore.

Rules as adopted by Bharat Sanchar Nigam Limited (BSNL) envisage that all rentals are payable in advance and failure to do so may result in the withdrawal of the circuit.

BSNL introduced (May 2003) Multi Protocol Label Switching (MPLS) technology which enabled low-cost, highly secure and highly reliable Virtual Private Networks (VPN) to be provided to its customers. Tariff for MPLS based VPN services include only local lead charges from subscriber's premises to nearest MPLS node and port charges as applicable (October 2003); on upgradation of a port to higher bandwidth, rent for the lower bandwidth is adjusted on pro-rata basis (September 2005).

Test check of records of Deputy General Manager (LD&NVS) under Chennai telecom district (CTD), Principal General Manager Telecom (PGMT), Coimbatore under Tamil Nadu circle, Chief General Manager Telecom, Maharashtra circle and Principal General Manager Telecom, Vadodra under Gujarat circle (August 2007 to December 2007) revealed that in several cases of provision of leased circuits and MPLS-VPN services to customers, advance rentals were not being billed for. Audit also noticed that in CTD pro rata additional rental on upgradation of ports was not billed for the period 2005-08. This resulted in non/short billing of Rs. 1.17 crore as shown in the ***Appendix-X***.

On this being pointed out by Audit, supplementary bills were issued for Rs. 11.04 lakh and Rs. 29.25 lakh by PGMT, Coimbatore and CTD, Chennai, respectively. Chief Accounts Officer of the Maharashtra circle stated (February 2008) that non-billing of circuits were primarily due to non-furnishing of commissioning report of the circuits by Leased Circuit section to Telecom Revenue Accounting branch. It was further stated by the General Manager (Finance) (August 2008) that bills were issued and out of Rs. 64.66 lakh pointed out by Audit an amount of Rs. 40.75 lakh was recovered. Accounts Officer (TR-VAS) of the office of PGMTD, Vadodra stated (March 2008) that supplementary bills amounting to Rs. 17.01 lakh had been issued.

The matter was referred to the Ministry in September 2008; its reply was awaited (October 2008).

2.11 Loss of revenue due to improper verification of bonafides of subscribers

Failure of Karnataka, Jharkand and Bihar telecom circles to verify the bonafides of Cellular Mobile subscribers resulted in loss of revenue of Rs. 1.02 crore.

Bharat Sanchar Nigam Limited (Company) and Department of Telecommunications (DoT), prescribed (April and December 2004) important verification procedures of subscriber applications for post paid and pre paid connections with a view to avoid fraud and loss of revenue in Cellular Mobile Telephone Service. Verification of the subscriber's bonafide from identification documents submitted with the applications, post verification of address and credit worthiness of customers, fixation of credit limit based on calling profile and disconnection of outgoing and incoming facility due to non payment of dues by due dates are inevitable measures in this direction.

Test check of records (between February and October 2007) of five Secondary Switching Areas (SSAs) under Karnataka, Jharkhand and Bihar telecom circles revealed that inadequacies in verification of documents for identification as also delays in issue of bills by the Company resulted in non-realisation of revenue amounting Rs. 1.02 crore from 102 mobile subscribers as detailed in ***Appendix-XI***.

In reply, Karnataka telecom circle stated (September 2007) that bonafide of the customer was confirmed on oral basis and the SSAs under Bihar and Jharkand telecom circles accepted (October 2007) the cases stating that the possibility of realisation of outstanding amount was remote as the subscribers were absconding.

Thus, lack of proper follow up on instructions issued by the Corporate office resulted in loss of revenue of Rs. 1.02 crore for the period from October 2005 to November 2005.

The matter was referred to the Ministry in April 2008; its reply was awaited (October 2008).

2.12 Non-billing of rental

Failure of the Deputy General Manager Telephones, Koraput under Orissa telecom circle, in ensuring timely issue of bills in respect of leased circuits provided to various subscribers resulted in non-billing of Rs. 40.69 lakh for the period April 2005 to March 2008.

Bharat Sanchar Nigam Limited (BSNL) issued (November 2002) clarification to all heads of the circles for recovery of advance annual rental of leased circuits. It was clarified that billing and recovery of advance annual rentals of leased circuits should be made prior to expiry of the period for which rental had already been recovered.

Test check of records (October-November 2007) of the Telephone Revenue Accounts branch of Koraput Secondary Switching Area under Orissa telecom circle revealed that the bills for advance annual rental, port charges and passive link charges were not issued in respect of 14 leased circuits and 22 ports resulting in non-billing of Rs. 40.69 lakh for the period April 2005 to March 2008.

On this being pointed out by Audit, the Chief Accounts Officer, GMTD, Koraput stated (October 2008) that the bills were issued in January 2008 and the payment had since been realised. This reflects inadequate controls on issue and realisation of advance annual rentals.

The matter was referred to the Ministry in September 2008; its reply was awaited (October 2008).

2.13 Recovery at the instance of Audit

Three circles of BSNL recovered outstanding dues of Rs. 1.37 crore from subscribers at the instance of Audit.

Test check of records pertaining to three Secondary Switching Areas (SSAs) under three telecom circles during the period from April 2003 to March 2008, revealed that an amount of Rs. 1.37 crore was non/short billed mainly due to incorrect application of tariff, non issue of bills and non-recovery of compensation for cables damaged by outside agencies as brought out in ***Appendix-XII***.

On this being pointed out, the SSAs issued bills for Rs. 1.37 crore and recovered the same.

The matter was referred to the Ministry in August 2008; its reply was awaited (October 2008).

CHAPTER III

MAJOR FINDINGS IN TRANSACTION AUDIT-EXPENDITURE

3.1 Imprudent financial management

BSNL failed to retire Government loan of Rs. 7,500 crore inspite of having adequate cash reserves of Rs. 18,829 crore as of March 2005 parked in bank deposits with average rate of return of 6.19 to 7.38 *per cent* per annum as against the rate of interest of 14.50 *per cent* for the loan. This imprudent financial management resulted in excess expenditure of Rs. 1,089 crore on interest payment during the period 2005-07.

Bharat Sanchar Nigam Limited (BSNL) was created (1 October 2000) by corporatisation of the functions of the erstwhile Department of Telecom Services (DTS) and Department of Telecom Operations (DTO). In accordance with the terms and conditions of the Memorandum of Understanding (MOU) executed between the Government of India and BSNL, all assets and liabilities in respect of the business carried out by DTS and DTO were transferred to BSNL at the provisional value of Rs. 63,000 crore, including Government of India loan of Rs. 7,500 crore. The loan was for a period of fifteen years with repayment of principal in equal annual instalments and interest at Government lending rate as prevalent, which was 14.5 *per cent*. Initially there was a moratorium on repayment of loan and interest thereon upto March 2004, which was extended upto March 2005.

Audit scrutiny (October 2007) of the records of BSNL Corporate office revealed that although the Company had adequate funds parked in short term deposits with the banks, which increased from Rs. 18,829 crore in March 2005 to Rs. 35,953 crore in March 2007, it did not retire the Government loan of Rs. 7,500 crore in April 2005. This was financially imprudent as the Company earned an average rate of return of 6.19 to 7.38 *per cent* per annum only on funds invested in short term deposits with various banks during the years 2005-06 and 2006-07. This resulted in extra expenditure of Rs. 1,089 crore, being the interest differential for the period 2005-07 on the unretired Government loan. It was also noticed that the Company had defaulted in payments of the first and second instalments and the Department of Telecommunications had charged penal interest of Rs. 18.87 crore and Rs. 14.71 crore respectively. Further, the Company had Rs. 17,042 crore in short term deposits with ICICI Bank as on September 2006, involving high risk for the investment as it was a private bank.

On this being pointed out by Audit, the Management stated (February 2008) that the Company had huge current liability and it had to keep corresponding bank balance in short term deposits. It was further stated that BSNL had huge expansion plan in Global System for Mobile Communication (GSM) and Broadband sector for which heavy investment was required. However, due to court cases and other unforeseen reasons the expansion plan could not take off. The reply is not convincing as the Company had cash reserves of more than Rs. 18,000 crore as of March 2005, 2006 and 2007, after meeting all the current liabilities and expenditure during the corresponding years. Also the current assets were much higher than the current liabilities and the Company was in a comfortable position for meeting all its liabilities as shown below:

(Rs. in crore)

Year ending	Current Assets, Loans and Advances	Current Liabilities and Provisions	Net Current Assets
March 2005	38478	22001	16477
March 2006	46138	21604	24534
March 2007	53747	21827	31920

Further, the entire capital expenditure of the Company for the financial years 2004-07 ranged between Rs. 6,838 and Rs. 8,617 crore as shown below, which includes the component of GSM and Broadband expansions.

(Rs. in crore)

Year	Annual plan outlay	Actual capital expenditure	Unexpired plan outlay	Bank deposits as of year ending
2004-05	14777	7578	7199	18829
2005-06	15081	6838	8243	28679
2006-07	16931	8617	8314	35953

The unexpired annual plan outlay could have been easily financed from internal revenue generation and cash reserves even after retiring the Government loan.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

3.2 Irregular extra payment of Productivity linked incentive

Bharat Sanchar Nigam Limited enhanced the maximum permissible limit of Productivity Linked Incentive of its employees in contravention of the instructions of Department of Public Enterprises and the Department of Telecommunications. This resulted in irregular extra payment of Productivity linked incentive of Rs. 19.78 crore.

The payment of Productivity Linked Incentive (PLI) to employees in Bharat Sanchar Nigam Limited (BSNL) under the Ministry of Communication and Information Technology is governed by the Department of Public Enterprises (DPE) guidelines and approval of the Department of Telecommunications (DoT). The broad guidelines and instructions given by the DPE and DoT are the following.

- DPE clarified (November 1997) that no ex-gratia, honorarium, reward etc would be paid by the Public Sector Enterprises under the administrative control of the Central Government to their employees over and above entitlement under the provisions of the Bonus Act or the executive instructions issued by the DPE in respect of ex-gratia, unless the amount is authorized under the duly approved incentive scheme in accordance with the prescribed procedure.

- The introduction of new incentive scheme or the modification of existing incentive scheme wherever framed within or outside the payment of Bonus Act requires prior clearance of the Government i.e. the Administrative Ministry.
- In pursuance of these instructions, DoT issued (October 2005) guidelines for payment of PLI to staff of BSNL for the year 2004-05 and onwards wherein the maximum ceiling of PLI was fixed at Rs. 12,500.

Audit scrutiny (September 2007) of the records of BSNL Corporate office revealed that the Company followed the guidelines issued by DoT while sanctioning PLI for the year 2004-05. However for the year 2005-06, Audit noticed that the maximum limit of PLI payable to an employee was increased from Rs. 12,500 to Rs. 25,000 in violation of the guidelines issued by DoT. Audit further observed that since this was a modification to the existing PLI scheme it required the prior clearance of DoT which the Company overlooked. Thus payment of PLI to the employees of BSNL with enhanced maximum limit of Rs. 25,000 against the prescribed ceiling of Rs. 12,500 resulted in irregular extra payment of PLI of Rs. 19.78 crore for the year 2005-06 ***(Appendix-XIII)***.

On this being pointed out by Audit, the Management stated (July 2008) that the maximum limit of PLI was increased from Rs. 12,500 to Rs. 25,000 with the concurrence of Secretary (Telecom) as per the minutes of the Chairman and Managing Director (CMD), BSNL. Hence there was no extra payment of PLI for the year 2005-06. The reply is not convincing as BSNL did not send any proposal to DoT justifying the enhancement of maximum limit of PLI nor DoT accorded any approval for the same. Mere mentioning of discussion with the Secretary (Telecom) by the CMD cannot be construed as formal concurrence of DoT. Also MTNL a similar PSU working under the same Ministry has capped the maximum limit of PLI at Rs. 8,500. There is no justification for increasing the maximum limit to Rs. 25,000 by BSNL.

Thus payment of PLI with enhanced maximum limit of Rs. 25,000 in contravention of DoT orders and violation of DPE guidelines resulted in irregular extra payment of PLI of Rs. 19.78 crore for the year 2005-06.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

3.3 Avoidable payment of spectrum charges

Failure of Kerala telecom circle to consider Interconnect Usage Charges revenue and expenditure from and to Basic Services of BSNL for computation of Adjusted Gross Revenue of its Mobile services resulted in avoidable payment of spectrum charges of Rs. 12.44 crore.

License agreements of Bharat Sanchar Nigam Limited (BSNL) with Department of Telecommunications (DoT) for operation of Basic and Mobile Telephone Services stipulate payment of license fee and spectrum charges to DoT at fixed percentages of the Adjusted Gross Revenue (AGR). For computing the AGR for a financial year, the Pass through revenue, i.e., the Interconnect Usage Charges (IUC) from other operators on account of provision of interconnection was to be included as part of revenue and the value of Public Switched Telephone Network (PSTN) related call charges passed on to basic, cellular and long distance service providers was to be a deduct item.

Test check of records of Cellular Mobile Telecom Services, Kerala telecom circle in January 2008 revealed that revenue on account of IUC charges between the Mobile and the Basic services of BSNL was not taken as an "add and deduct" item while computing the AGR. This resulted in the overstatement of AGR and consequently, an excess payment of Rs. 12.44 crore to DoT as spectrum charges, including microwave access charges for the period 2005-06 to 2006-07 as shown in ***Appendix-XIV***.

On this being pointed out by Audit, Chief General Manager, Kerala telecom circle confirmed the non-inclusion of IUC charges in the calculation of AGR, stating that the same is a permissible add and deduct item only in the case of transactions with Other Service Providers. It was further stated that as the IUC transactions between Basic and Mobile services of the Company were within the same service area of BSNL, it required only an inter-segment adjustment in the accounts and that clarification on the matter was being sought from BSNL Corporate office.

Clarification received from BSNL Corporate office vide Circular 134 in March 2008 confirmed the audit stand and confirmed that the "pass through charges" in respect of telecom traffic generated and transferred from one segment of BSNL to another shall be calculated at the same rates which are applicable for calculation of IUC receivable and payable from/ to other service providers.

Thus non inclusion of IUC charges due to and receivable from Basic Services while calculating the AGR of Mobile services resulted in avoidable payment of spectrum charges (including Microwave Access charges) of Rs. 12.44 crore for the period 2005-06 to 2006-07 by BSNL.

The matter was referred to the Ministry in August 2008; its reply was awaited (October 2008).

3.4 Excess payment of Service Tax

Nine Secondary Switching Areas in Kerala telecom circle failed to avail eligible Cenvat Credit to the full extent during 2005-07. This resulted in excess payment of Service Tax of Rs. 8.67 crore.

The Cenvat Credit Rules introduced in September 2004, allowed a manufacturer or provider of a taxable service, to take credit of duty/service tax paid on specified input capital goods and input services used in or in relation to the manufacture of specified final products or output services. The Cenvat credit so available could be utilized for payment of any duty of excise on any product or service tax on output services.

The BSNL Corporate office instructed (11 March 2005) all the Chief General Managers, BSNL telecom circles to positively avail eligible Cenvat Credit during current financial year itself. As the quantum of amount of benefit under the Cenvat Credit Rules was considerable, the Heads of circles and their Internal Financial Advisors were directed to personally monitor each Secondary Switching Area (SSA) for availing the Cenvat Credit. The Corporate office in February 2007 reiterated the above orders to avoid unnecessary cash outflow.

Audit scrutiny (February 2008) of the records of nine SSAs* under the Kerala telecom circle revealed that the SSAs failed to avail eligible Cenvat Credit during the financial years 2005-07 and consequently paid excess Service Tax of Rs. 8.67 crore for the period 2005-07 ***(Appendix-XV)***. Audit further noticed that inspite of Corporate office instructions from time to time the Chief General Manager, Kerala telecom circle failed to establish proper monitoring and control mechanism, resulting in unnecessary outflow of cash on account of excess Service Tax paid.

On this being pointed out by Audit, the Chief Accounts officer, office of the CGM, Kerala telecom circle stated (April 2008) that the matter was already brought to the notice of all the SSAs and further reply would be sent on receipt of reports from the SSAs. The reply is indicative of the fact that the circle office lacks control and proper monitoring mechanism over the SSAs for availing the Cenvat Credit due in the respective financial years.

Thus failure of the SSAs to avail Cenvat Credit due in the respective financial years besides inadequate monitoring by the circle office resulted in excess payment of Service Tax of Rs. 8.67 crore during the years 2005-07.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

3.5 Loss due to non-recovery of WLL instruments

Failure of 32 Secondary Switching Areas under Andhra Pradesh, Gujarat and Madhya Pradesh telecom circles to recover Wireless Terminal instruments for closed connections resulted in loss of Rs. 7.11 crore.

Subscribers of phone services in Wireless in Local Loop (WLL) technology of Bharat Sanchar Nigam Limited (BSNL) were to pay for the terminals provided to them by the Company. Options were initially given to the subscribers (February 2001) to obtain the instrument from the market, buy it from BSNL at a cost of Rs. 10,000/- or take it on loan from BSNL. Subsequently (June 2001) the terminals were provided on payment of refundable, non interest bearing deposit of Rs. 10,000/- or on a monthly insurance charge of Rs. 20/- for an insurance cover on the cost of the terminal obtained by BSNL from a nominated Insurance Company. It was further clarified (October 2003) that insurance would be for the

* Ernakulam, Kollam, Thiruvananthapuram, Trichur, Palakkad, Malappuram, Thiruvalla, Alleppey and Kottayam.

actual cost of the hand set and would be all comprehensive, covering loss of handset due to theft, non return of instrument by the subscriber or on account of a subscribers' disappearance, etc.

A test check of records of 32 Secondary Switching Areas under Andhra Pradesh, Gujarat and Madhya Pradesh telecom circles revealed that as many as 4,953 Mobile/HHT and 14,191 Fixed WLL terminals of subscribers who had opted for loan/insurance coverage were voluntarily closed/disconnected or closed permanently due to non-payment of dues during the period 2002-03 to 2007-08, but these terminals given on loan or insured were not returned to the BSNL stock. Even though majority of these terminals were adequately covered by insurance, no claims have been preferred against the insurance companies till date due to non-maintenance of proper data base. Further, no action was taken to recover the terminals from the subscribers for which insurance coverage was not available, including cases of voluntary closure, as whereabouts of the subscribers were not known to the SSAs. Failure to recover terminals on closure of the connections and prefer insurance claims for the loss suffered resulted in loss of Rs. 7.11 crore, being the depreciated value of the terminal instruments as detailed in ***Appendix-XVI***.

On this being pointed out by Audit, all the SSAs of Andhra Pradesh and Gujarat telecom circle stated (August 2007) that action would be initiated to get back the terminals instruments. Replies from the SSAs of Madhya Pradesh telecom circle had not been received (September 2008).

As of June 2008, neither the terminal instruments nor their costs had been recovered from the subscribers in any of the circles.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

3.6 Loss due to non-availing of Cenvat Credit

Non-availing of Cenvat Credit in respect of stores procured from Telecom Factories by Andhra Pradesh telecom circle resulted in loss of Rs. 5.91 crore.

The Cenvat Credit Rules introduced in September 2004, allow a manufacturer or a provider of taxable service, to take credit of duty/service tax paid on specified input capital goods and input services used in or in relation to the manufacture of specified final products or providing of output services. The Cenvat Credit so available could be utilised for payment of any duty of excise on any product or service tax on output services. This credit can be availed of on the basis of invoice or bill or challan issued by the supplier of capital goods /input services, wherein the tax portion has been shown separately.

Andhra Pradesh telecom circle procured stores worth Rs. 32.13 crore from Telecom Factories[↑] during 2005-07 and stocked these at Circle Telecom Store Depot (CTSD), Secunderabad. Subsequently, these stores were supplied to

[↑] Telecom Factories Mumbai, Jabalpur, Kolkata, Gopalpur and Khargpur

Secondary Switching Areas (SSAs) by CTSD as per circle office allotment. The circle office raised Advice Transfer Debits (ATDs) against SSAs for the value of stores supplied and enclosed copies of the store vouchers indicating the element of excise duty and other levies for availing Cenvat Credit by SSAs.

Audit scrutiny (February 2008) of the records of the Andhra Pradesh telecom circle office, CTSD, Secunderabad and five[$] SSAs revealed that CTSD, on receipt of the goods from the Telecom Factories, could not avail of the Cenvat Credit based on the invoice as it was not the ultimate consignee. The SSAs also could not avail of the Cenvat Credit on the basis of ATDs raised for stores supplied from CTSD, Secunderabad as the Excise authorities insisted on submission of original invoices in support of their claims. Audit noticed that the circle office failed to initiate action to register CTSD as dealer depot to enable it to issue separate invoices indicating the stores value and the element of excise duty which would be acceptable by the Excise authorities till December 2006. In December 2006, CTSD was registered as a dealer depot with the Excise authorities and separate invoices were issued to the SSAs from April 2007 to avail Cenvat credit. Thus, delay on the part of the circle office in getting the CTSD registered as a dealer depot resulted in non-availing of Cenvat Credit by the SSAs and consequent loss of Rs. 5.91 crore during the period June 2004 to March 2007.

On this being pointed out by Audit, the Management stated (February 2008) that the Central Excise authorities objected to the appointment of Hyderabad Telecom District as the nodal authority for availing of Cenvat Credit stating that only the ultimate consignees of the stores were eligible for Cenvat Credit. There was no alternative except to raise ATDs on concerned SSAs. The reply is not tenable as the Andhra Pradesh telecom circle office failed to get CTSD, Secunderabad registered as a dealer depot till December 2006, which led to non-availing of Cenvat Credit.

Thus, delays in registering CTSD, Secunderabad as dealer depot resulted in non-availing of Cenvat credit by the SSAs and consequent loss of Rs. 5.91 crore during the period 2004-07.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

3.7 Non/underutilisation of Digital Loop Carrier systems

Procurement of Digital Loop Carrier Systems by four SSAs under the Rajasthan telecom circle without requirement resulted in non/underutilisation of DLCs valuing Rs. 4.91 crore.

Digital Loop Carrier (DLC) Systems are used in access networks to increase the capacity of the installed cable plant in order to provide services[•] where the subscriber density is high, such as high rise buildings, office complexes or

[$] 1. Kurnool, 2.Mahabunagar, 3.Nellore, 4. Srikakulam and 5.Warangal

[•] Telephone services, Integrated Services Digital Network, Internet, Video Conferencing, Video on demand and other value added services shopping centre. DLC systems can also be used to provide leased lines and high speed data circuits to customers. The DLC system consists of a Central Office Terminal (COT), which is installed in the Telephone exchange premises and is connected to Remote Terminals (RT) by an Optical Fibre Cable. The subscribers are connected to the RTs, which serve as an interface between the Optical Fibre line and the subscriber line. Generally DLC systems have a configuration of a single COT supporting several RTs; an RT can have a capacity of 30, 120, 240 or 480 lines and depending on the requirement the capacity can be selected. In July 2005, the BSNL Corporate office noticed that the utilisation of DLC systems was poor and instructed all its field units to monitor and ensure 80 *per cent* capacity utilisation within three to four months.

Audit scrutiny of the records of Udaipur, Kota, Jaipur and Jodhpur Secondary Switching Areas (SSAs) under the Rajasthan telecom circle revealed that these SSAs, based on the centralised allotment by the BSNL Corporate office, procured nine DLC systems with nine COTs and 32 RTs, and installed them between March 2003 and January 2007. Audit noticed that the Rajasthan telecom circle, while projecting (June 2002) its requirement to the Corporate office, had requisitioned RTs of 240 lines capacity instead of 480 lines owing to inadequate demand for services through DLC in Rajasthan. However, the Rajasthan telecom circle did not base its requirement on any market survey of potential customers while deciding on the appropriate RT capacity. The Corporate office allotted RTs of 480 lines capacity which were procured and installed by the four SSAs. Audit found that the capacity utilisation of the DLC systems remained poor and despite Corporate Office instructions, the SSAs could not improve it. The capacity utilisation of three RTs was nil, 20 out of 32 RTs was below 35 *per cent* and the overall utilisation of all the 32 RTs was 33 *per cent* in 2007-08 ***(Appendix-XVII)***. Thus, lack of coordination between the Corporate office and the Rajasthan telecom circle led to procurement of higher capacity RTs resulting in non/under utilisation of DLC systems and consequent injudicious expenditure of Rs. 4.91 crore ***(Appendix-XVIII)*** on their procurement.

On this being pointed out by Audit, the Deputy General Manager (Finance and Accounts), Rajasthan telecom circle stated (May 2008) that DLC systems were procured considering the demand on commencement of the 21st century, which was based on factual circumstances relating to subscriber density, high rise buildings, increasing shopping and office complexes. It was also stated that due to expansion of mobile services launched by BSNL and other Private Service Providers in recent years, respectable loading of DLC systems could not be achieved. The reply is not tenable as the Rajasthan telecom circle had, in June 2002, anticipated lower demand for DLC systems but finally procured RTs of 480 lines capacity. Further, the mobile revolution would not have a direct impact on utilisation of DLC systems as it can handle diverse services such as leased lines, data circuits that the mobile services can not provide. The fact, therefore, remains that the DLC systems are yet to be optimally utilised even after a lapse of more than three to five years of their commissioning.

Thus, failure of the BSNL Corporate office and the Rajasthan telecom circle to assess the demand before procuring DLC systems, led to over procurement and consequent non/underutilisation of these systems. This resulted in injudicious expenditure of Rs. 4.91 crore on their procurement.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

3.8 Irregular extra expenditure on hiring of personnel

Four Secondary Switching Areas under the Madhya Pradesh and Chhattisgarh telecom circles hired personnel for infrastructure maintenance and upkeep services in excess of sanctioned strength resulting in irregular extra expenditure of Rs. 3.70 crore.

Bharat Sanchar Nigam Limited followed the staffing norms in respect of Group D employees framed by the Department of Telecommunications. Based on these norms, the Group D posts are sanctioned for the Secondary Switching Areas (SSAs). Further the Corporate office instructions do not permit expenditure on engagement of hired personnel for infrastructure maintenance services. The Chief General Manager, Madhya Pradesh telecom circle based on the Corporate office guidelines instructed its SSAs not to hire personnel for infrastructure maintenance services and further instructed that engagement of personnel for upkeep services such as house keeping, horticulture and cleanliness should be restricted to the number of vacancies in the cadre of Group D.

Audit scrutiny (May to December 2007) of the records of Jhabua, Mandsaur, Ratlam SSAs under the Madhya Pradesh telecom circle and Ambikapur SSA under the Chhattisgarh telecom circle revealed that 30 to 172 private personnel were hired in excess of the sanctioned strength of Group D cadre for infrastructure maintenance and upkeep services during 2003-08. This resulted in irregular extra expenditure of Rs. 3.70 crore on hiring excess personnel beyond permissible limits ***(Appendix-XIX)***. Audit further noticed that the circle office failed to monitor and exercise any control over excess employment of personnel by the SSAs besides employment of personnel for infrastructure maintenance which was totally banned by the Corporate office.

On this being pointed out by Audit, Divisional Engineer (DE) (Planning) Ratlam stated (July 2007) that there was a shortage of 141 justified Group D vacancies and the same was intimated from time to time to the circle office along with the expenditure incurred on hiring of personnel. DE (Planning) Mandsaur stated that due to acute shortage of staff most of the telephone exchanges were working as unmanned. It was further stated that with stringent target of fault rate and competition from private operators it was not possible to manage the system without engaging the personnel for housekeeping, cleaning, horticulture and maintenance. The other two SSAs stated that persons were engaged for upkeep and maintenance of telephone exchanges due to shortage of regular field staff. The reply of DE, Ratlam is not tenable as the circle office based on the norms, requirement and justification approves the sanctioned strength of the SSAs. It had sanctioned only 33 posts of Group D for Ratlam SSA. The remaining three SSAs reported that the hired personnel were being used for infrastructure maintenance. This is not permitted by the Corporate office and does not justify the hiring of personnel over and above the sanctioned strength of Group D employees.

Thus hiring of personnel by SSAs under the Madhya Pradesh and Chhattisgarh telecom circles in excess of the sanctioned strength of Group D and for infrastructure maintenance services resulted in irregular extra expenditure of Rs. 3.70 crore during the years 2003-2008.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

3.9 Undue benefit to Suppliers

Incorrect rescheduling of the original delivery period under Force Majeure clause for supply of PIJF cables and consequent finalisation of payments at higher rates by the Kerala telecom circle resulted in excess payment of Rs. 2.25 crore to the Suppliers.

Andhra Pradesh telecom circle placed (November 2001) Purchase Orders (PO) on three firms[•] and based on the Corporate office instructions diverted (February 2002) 3465 kms of Polythene Insulated Jelly Filled (PIJF) cable to Kerala telecom circle. The delivery schedule for supply of the cables was for a period of six months from 1 November 2001 to 30 April 2002. The firms were located in Gujarat and due to communal riots could not supply the cables within the specified delivery period. In March 2003, the BSNL Corporate office extended the monthly delivery period under Force Majeure clause for the three firms with the following two conditions.

1) Where the schedule delivery period or its part falls during the period between 28.2.2002 to 23.4.2002, the original scheduled monthly delivery period will be rescheduled by 55 days with effect from the date of completion of original monthly scheduled delivery date

2) For POs where supply could not be made due to expiry of original delivery period for want of extension/provisional extensions, the period of 55 days will be given from the date of extension/provisional extension.

The BSNL Corporate office clarified (January 2005) that the prices of 2001-02 tender would be applicable for cables received during the period of extension under Force Majeure clause and the prices of 2002-03 tender would apply for others. The price of PIJF cables for 2001-02 tender was higher than that of 2002-03 tender.

[•] GTCL Mobile-Cum Technology Limited, GTCL Limited and RHP Cables and Industries Limited.

Audit scrutiny (June 2007 to January 2008) of the records of eight* Secondary Switching Areas under the Kerala telecom circle revealed that the SSAs incorrectly re-fixed the delivery schedule under Force Majeure clause from the date on which extension was given to the firms, viz., 27 September 2002 by the Kerala telecom circle, instead of from the date of completion of original delivery period, viz., 30 April 2002. As the Kerala telecom circle allowed additional four months viz., May to August and re-fixed the delivery schedule from September 2002, the supplier firms were paid higher rates of 2001-02 tender for supply of 1856 kms of PIJF cables during October and November 2002. This resulted in excess payment of Rs 2.25 crore and consequent undue benefit to the firms ***(Appendix-XX & XXI)***.

On this being pointed out by Audit, the Deputy General Manager (Planning), Kerala telecom circle stated (March 2008) that as per the second condition of the Corporate office, in case of POs where the supply could not be made due to expiry of original delivery period for want of extension, the period of 55 days would be given from the date of extension. As such the Audit remark that the rescheduled date had to be 55 days from the original date of delivery of 30 April 2002 cannot be accepted. The reply is not tenable as there were riots between 28 February 2002 to 23 April 2002 and the original delivery period had not expired till 30 April 2002. Hence, first condition of the Corporate office would be applicable and the rescheduling of the monthly delivery period should be with reference to 30 April 2002, as shown in ***Appendix-XX***.

Thus incorrect rescheduling of the original delivery period under Force Majeure clause by the Kerala telecom circle resulted in excess payment of Rs. 2.25 crore and undue benefit to the suppliers.

The matter was referred to the Ministry in August 2008; its reply was awaited (October 2008).

3.10 Failure to comply with Corporate Office instructions

BSNL Corporate office instructions provide that Acceptance Testing should be completed for poleless cable network prior to payment to the contractors. Three Secondary Switching Areas in Orissa telecom circle irregularly paid Rs. 2.10 crore to the contractors without conducting the Acceptance Testing.

Bharat Sanchar Nigam Limited (BSNL) norms provide that poleless cable network undertaken by Secondary Switching Areas (SSAs) is subject to 100 *per cent* check through Acceptance Testing (A/T) by the Technical and Development (T & D) circle. In 2006 BSNL Corporate office reiterated that poleless activity should be done maintaining high quality of supervision so that there was reduction in the fault rate and improvement in the quality of land line service. It

* Calicut, Palakkad, Kottayam, Tiruvalla, Malappuram, Alappuzha, Trivandrum and Kannur SSAs.

was further directed that the poleless work was to be offered for A/T pillar wise and payments were to be released only after successful completion of A/T.

Audit scrutiny of the records of Bhubaneswar, Koraput and Rourkela SSAs in Orissa circle revealed that poleless work relating to 69 estimates were executed during 2004-08, and payments were made to the contractors without the mandatory completion of A/T. This resulted in irregular payment of Rs. 2.10 crore. Audit further noticed that the SSAs did not have a reliable control procedure for ensuring that payments are made only after satisfactory completion of A/T by the T&D Circle.

On this being pointed out, the Koraput SSA, while accepting the fact, stated (November 2007) that henceforth the bills would be passed only after successful completion of A/T. Bhubaneswar SSA stated (February 2008) that compliance with the instructions would follow. Rourkela SSA mentioned (January 2008) that due to non availability of jointing material and sufficient 5 pair cable for execution of pillars, A/T could not be done. It was further stated that "running bills were being paid and before completion of estimates, A/T would be completed". The reply does not reflect the correct position as in Rourkela SSA works completed during 2004-06 could not be acceptance tested even after two years. Further, the Corporate office had instructed completion of A/T pillar wise and running bills could have been paid pillar wise after completion of A/T.

Thus, payment of bills without A/T from the competent authority resulted not only in irregular payment of Rs. 2.10 crore but also compromised the Corporate office bench marks for achieving better quality of service.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

3.11 Avoidable irregular expenditure on deployment of security guards

The Chief General Manager, Karnataka telecom circle approved deployment of security guards for non-BSNL BTS sites in contravention of Corporate office instructions resulting in avoidable irregular expenditure of Rs. 1.74 crore during the period 2005-08.

The BSNL Corporate office reviewed the deployment of security guards in non-BSNL Base Trans-receiver Station (BTS) sites relating to Global System for Mobile Communication network by some of the telecom circles and decided (April 2005) that no such guards should be deployed in non-BSNL sites located in city areas. Accordingly, instructions were issued by the Corporate office to all the Chief General Managers (CGMs) of telecom circles to follow the same.

Audit scrutiny (January 2008) of the records of the General Manager (Development), Mobile Services (GMMS), Bangalore revealed that the CGM Karnataka telecom circle approved (July 2005) deployment of 180 security guards in non-BSNL BTS sites located in Bangalore. Deployment of security guards in violation of Corporate office instructions resulted in avoidable irregular expenditure of Rs. 1.74 crore during the period 2005-08.

On this being pointed out by Audit, the Deputy General Manager, Mobile Services, Bangalore stated (January 2008) that the guards were not meant for any specific site and were grouped together for patrolling the non-BSNL sites in the nearby vicinity. It was also mentioned that these areas were theft prone areas and some sites had reported theft. Further it was stated that the power condition in these areas warranted continuous monitoring and regular manual operations and hence security guards were deployed.

The reply is not convincing as the BSNL Corporate office took a policy decision in 2005 after considering the above factors, not to employ security guards in non-BSNL sites located in city areas. Further the Corporate office had instructed the field units to monitor centrally the functioning of unmanned non-BSNL sites and had a dedicated staff for a group of non-BSNL BTS sites in a city for filling up of diesel and also for routine inspections.

Thus deployment of security guards in violation of Corporate office instructions resulted in avoidable irregular expenditure of Rs. 1.74 crore during the period 2005-08.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

3.12 Failure to comply with statutory requirements of EPF scheme

Maharashtra telecom circle failed to recover EPF subscription from certain category of its employees covered under EPF scheme since 2000 resulting in delayed remittance of Rs. 2.58 crore including employer's contribution of Rs. 1.37 crore to EPF authorities.

Employees' Provident Fund (EPF) Scheme, 1952 requires every employer covered under this scheme to deposit employees' subscription and employer's contribution towards EPF with the Regional Provident Fund Commissioner (RPFC) within 15 days from the close of the month to which the contribution relates. In case the employer fails to do so, he is liable to pay interest and damages for the belated payment under relevant sections of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

Bharat Sanchar Nigam Limited (BSNL) Corporate office clarified (May/June 2007) that "casual labours not having temporary status in the Department of Telecommunications (DoT) prior to 1 October 2000 who were regularised in BSNL" and "employees appointed on compassionate ground" by BSNL after 30 September 2000 would be treated as BSNL recruited employees for coverage under the EPF scheme. It also instructed (June 2007) that the arrears of EPF dues from the date of their appointment upto May 2007 be deposited with the EPF Organisation by 30 June 2007.

Audit scrutiny (November 2007 and April 2008) of the records of Raigad and Kalyan Secondary Switching Areas (SSAs) and records relating to 12* SSAs at the Maharashtra telecom circle office revealed that contrary to the instructions of the Corporate office, the units failed to recover arrears of EPF subscription of Rs. 1.21 crore from the concerned employees since October 2000 and also failed to remit it along with the employer's share of EPF contribution of Rs. 1.37 crore to the EPF authorities. This resulted in non-remittance of EPF dues of Rs. 2.58 crore for the period October 2000 to August 2007, besides non-compliance with the statutory requirements, attracting penalty and interest on belated payments.

On constant pursuance by Audit for remittance of EPF, the Management took action and the General Manager (Finance), Maharashtra telecom circle while confirming (August 2008) payment of Rs. 2.44 crore including employee's share, stated that the arrear of EPF dues from the concerned official's would be recovered through their salary. The reply is indicative of weak monitoring and control by the Maharashtra telecom circle.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

3.13 Excess payment of Productivity Linked Incentive

Group A and B officers of Bharat Sanchar Nigam Limited were paid Productivity Linked Incentive for the year 2002-03 based on higher IDA pay instead of CDA pay in violation of Corporate office instructions. This resulted in excess payment of PLI of Rs. 1.72 crore.

The Corporate office of Bharat Sanchar Nigam Limited sanctioned (September 2003) adhoc Productivity Linked Incentive (PLI) for the year 2002-03 to its Group A and B officers equivalent to three fourths of one month's basic pay at the minimum of their respective pay scale as of 1 March 2003, subject to a minimum of Rs. 6,428 and maximum of Rs. 7,500. The final payment of PLI for 2002-03 was announced (February 2006) as one month's basic pay at the minimum of their respective pay scale subject to a minimum of Rs. 8,570 and maximum of Rs. 10,000.

In October 2006, the BSNL Corporate office clarified that PLI to Group A and B officers for the year 2002-03 was admissible on Central Dearness Allowance (CDA) pay scale and not on Industrial Dearness Allowance (IDA) pay scales. It was further instructed that excess payment of PLI based on higher IDA pay scales was to be recovered from the concerned employees.

* Ahmednagar, Dhule, Goa, Jalgaon, Kolhapur, Lathur, Nagpur, Nashik, Ratnagiri, Sangli, Sawantwadi and Wardha

Audit scrutiny (March 2007-April 2008) of the records of Secondary Switching Areas (SSAs) under 25 telecom circles revealed that the SSAs in contravention of the Corporate office clarifications paid the balance 25 *per cent* of PLI based on IDA pay scales instead of CDA pay scale. Audit further noticed that inspite of instructions of Corporate office to recover the excess payment, the SSAs failed to do so which reflects poor control over the SSAs. This resulted in excess payment of PLI of Rs. 1.72 crore for the year 2002-03 ***(Appendix-XXII)***.

On this being pointed out by Audit, the SSAs while accepting the excess payment stated that the same would be recovered.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

3.14 Undue favour to a contractor

Failure of Hyderabad Telecom District to regulate the payment for printing and supply of telephone directories based on the number of pages printed resulted in excess payment of Rs. 95.55 lakh.

The Hyderabad Telecom District (HTD) based on open tender entered into an agreement with Indiacom Limited for printing and supply of three bi-annual main telephone directories and two supplementary telephone directories in October 2003 and printed 2.73 lakh and 2.25 lakh copies of 2003[•] and 2005[*] main telephone directories respectively and an issue of supplementary directory in 2005.

The tender prescribed that entries relating to 7.28 lakh Direct Exchange Line (DELs) subscribers was to be printed in each directory along with technical specifications of each page and matter to be printed. It was also specified that before printing, a sample of printed pages of each issue of directory in accordance with the specifications given in the tender should be got approved from the Principal General Manager (PGM), HTD in respect of column separation and number of entries per column. The tender however did not specify the number of pages in a directory. The PGM, HTD approved the printing of business list in three columns and residential list in four columns with 424 entries per page. Based on the number of entries per page the Negotiation Committee worked out 1924 pages per directory and finalised the rates at Rs. 140, Rs. 148 and Rs. 159 for 2003, 2005 and 2007 main directories respectively.

Audit scrutiny (September 2007) of tender records and the printed copy of 2003 and 2005 main issues of HTD revealed that as against the standard of 424 entries per page, the PGM, HTD approved sample of printed pages having more than 500 entries. Consequent to the increase in the number of entries per page, the number

[•] 2003 issue was actually printed in 2004

[*] 2005 issue was actually printed in 2006

of pages per directory got reduced to 1730 and 1425 pages for 2003 and 2005 directories respectively against the standard of 1924 pages per directory based on which rates were finalised. This resulted in printing of directories with lesser pages by the contractor and consequent loss of Rs. 95.55 lakh ***(Appendix-XXIII)*** to the Company.

On this being pointed out the Assistant General Manager (Commercial Services), HTD stated (October 2007) that the agreement with the contractor was adhered to in toto without any deviation at any stage during the course of printing of directory. He also stated that the basic rate was fixed on the basis of number of DELs of seven lakh irrespective of number of pages. Further the basic rate was revised only on the increase or decrease of DELs and not on the number of pages actually printed.

The reply is not convincing as the basic rate per directory was fixed with reference to 424 entries per page and 1924 pages per directory. Hence reducing the number of pages by increasing the number of entries and paying the rates fixed on the basis of 1924 pages was not in order. Further the major cost of printing a telephone directory is on account of number of pages and the regulation of payment merely on the number of DELs without considering the total number of pages actually used was amounted to extending undue favour to the contractor.

Thus failure of HTD to regulate payments for printing and supply of telephone directory based on total number of pages actually printed resulted in excess payment of Rs. 95.55 lakh.

The matter was referred to the Ministry in May 2008; its reply was awaited (October 2008).

3.15 Idling of CorDECT WLL System

Outdated and used CorDECT Wireless in Local Loop exchange was commissioned in Nagpur which did not function, resulting in idle investment of Rs. 84.50 lakh.

The Principal General Manager, Telephones (PGMT), Nagpur under the Maharashtra telecom circle sanctioned (July 2006) a Project Estimate for installation of 1 K* lines corDECT♦ Wireless in Local Loop (WLL) exchange at Narendra Nagar, Nagpur at a cost of Rs. 1.16 crore. The exchange equipment was originally installed at Kalyan in February 2002 and was decommissioned and shifted to Nagpur in May 2005. The Project Estimate provided that the installation work would be completed within three months of receipt of the equipment with coverage area of 25 kms. The Project Estimate also envisaged a net profit of Rs. 45 lakh per annum on commissioning of the exchange.

* 1 K- One thousand

♦ Digital Enhanced Cordless Telecommunications System

Audit scrutiny (July 2007) of the records of PGMT, Nagpur revealed that there were delays in installing the exchange, besides technical problems in commissioning and running the exchange. Audit found that although the equipment was received in May 2005, the exchange was commissioned only in January 2007 at Narendra Nagar, Nagpur. Even after commissioning the exchange connections could not be given as its coverage area was only five kms and the life of the wall sets and batteries provided along with the equipment had already expired. Further the corDECT WLL technology was an old technology and from 2004 onwards, MSC based CDMA* WLL technology was introduced in BSNL in a big way. Hence relocation of corDECT WLL exchange from Kalyan to Nagpur in 2005 was not a prudent decision. Thus delays in commissioning coupled with technological obsolescence led to non-utilisation of the exchange commissioned at Narendra Nagar, Nagpur. This resulted in idle investment of Rs. 84.50 lakh besides lost opportunity for earning profit projected at Rs. 45 lakh per annum.

On this being pointed out by Audit the Assistant General Manager (Phones), PGMT, Nagpur stated (September 2007) that request had been sent to the Maharashtra telecom circle office for getting replacement of batteries used in the wall sets. It was further stated that the system was not under Annual Maintenance Contract (AMC) and hence it was not possible to rectify and load the system. The reply is not convincing as even after two years of receipt of the equipment the customers could not be provided any connection. Further the Corporate office had decided to scrap the corDECT WLL exchanges and hence the exchange at Narendra Nagar had lost further utility due to obsolescence.

Thus relocation and delayed commissioning of outdated and used corDECT WLL system resulted in its non-utilisation and consequent idle investment of Rs. 84.50 lakh. The Company also lost the opportunity to earn a projected profit of Rs. 45 lakh per annum.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

3.16 Excess payment of commission to franchisees

Irregular payment of commission to franchisees by General Manager Telecom, Ranchi, resulted in excess payment of Rs. 66.03 lakh.

Bharat Sanchar Nigam Limited (BSNL), superceding their Franchisee Policy 2004, introduced (August 2006) the new Sales and Distribution Policy 2006, which was implemented with effect from 01 September 2006. The policy guidelines stipulated that agreements were to be executed with the existing franchisees willing to migrate to the new policy. Further, the policy authorised the Chief General Managers (CGMs) of circles to extend franchisee-ships for another year, based on performance. The rate of commission payable for sale of prepaid

* Code Division Multiple Access

recharge coupons of rupees one lakh and above was enhanced to 6.5 *per cent* from the earlier rate of five *per cent* and the commission was payable only from the date of signing the agreement with franchisees.

Test check of records of Principal General Manager, Telecom District, Ranchi, under, Jharkhand telecom circle, revealed that approval for migration of existing franchisees to the new Policy was issued by the CGM in November 2006, with instructions that the commission as per the policy was effective only from the date of signing the agreement. Fresh agreements were signed and entered into with franchisees, during November 2006 to March 2007. Meanwhile, the CGM directed (January 2007) the SSAs to enter into supplementary agreements with franchisees for shifting the date of effect of agreements to 1 September 2006, the date from which the new policy was deemed to have been implemented as per the Corporate office instructions. Four out of six SSAs acted upon the CGM's directions and entered into supplementary agreements with the franchisees (January 2007 to June 2007) with retrospective effect. Consequently 10 out of 14 franchisees in the circle were paid commission at higher rates for periods, ranging from three to seven months, earlier to the actual date of signing of agreements, resulting in excess payment of Rs. 66.03 lakh, as shown in ***Appendix-XXIV***.

On this being pointed out by Audit, Chief Accounts Officer (Cash) of the office of GMTD Ranchi stated (January 2008) that commission of Rs. 20.34 lakh paid for the period 1 September 2006 to 22 September 2006 had been recovered. Recovery particulars of the balance amount of Rs. 45.69 lakh was awaited.

The matter was referred to the Ministry in June 2008; its reply was awaited (October 2008).

MAHANAGAR TELEPHONE NIGAM LIMITED

CHAPTER IV
ORGANISATIONAL SETUP AND FINANCIAL MANAGEMENT

4.1 Introduction

Mahanagar Telephone Nigam Limited (Company), with its registered and corporate office located in New Delhi, was incorporated in February 1986 under the Companies Act 1956 and commenced its operations by taking over the management, operations and control of the telephone network (except public telegraph services) of the erstwhile Union Territory of Delhi and three Municipal Corporations of Mumbai (namely Mumbai Municipal Corporation, Navi Mumbai Municipal Corporation and Thane Municipal Corporation) from the Department of Telecommunications (DoT). Mahanagar Telephone Nigam Limited, through its network, provides basic telephone services including various value added services such as Integrated Service Digital Network (ISDN), Voice Mail, Internet Telephony, Wireless in Local Loop (WLL) and Cellular Mobile Services, etc. in Delhi and Mumbai.

4.2 Organisational setup

The administrative and overall functional control of the Company is vested with the Board of Directors headed by the Chairman and Managing Director (CMD) who is assisted by three functional Directors in charge of Technical, Finance and Human Resources departments and a Company Secretary. The Delhi and Mumbai units of the Company are headed by Executive Directors.

4.3 Investment and Returns

Against the authorised equity share capital of Rs. 800 crore, the paid-up capital as on 31 March 2008, was Rs. 630 crore of which the Government of India had invested Rs. 354.37 crore. The return on this investment (Rs. 630 crore) by way of dividend paid by the Company was 45 *per cent* for each of the years 2003-04 and 2004-05, which came down to 40 *per cent* for the years from 2005-06 to 2007-08 as can be seen from the table at sub-paragraph 4.4.2.

4.4 Physical and Financial Performance

4.4.1 Physical performance

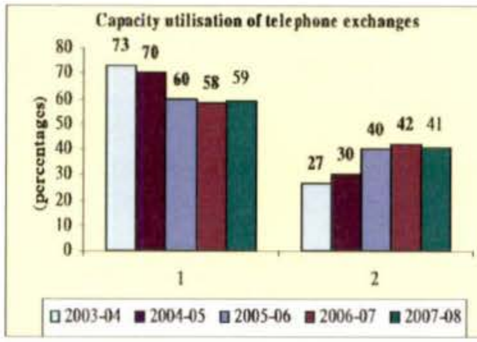
The physical performance of the Company as at the end of each of the last five years ending 31 March 2008 was as under:

Telephone Network	As on 31 March 2004	As on 31 March 2005	As on 31 March 2006	As on 31 March 2007	As on 31 March 2008
No. of telephone exchanges	520	528	529	538	552
Total equipped capacity of direct exchange lines (DELs) including WLL (in lakh)	61.23	61.02	66.87	67.52	67.69
No. of telephone connections (DELs) including WLL (in lakh)	44.74 (73%)*	42.72 (70%)*	39.83 (60%)*	39.20 (58%)*	39.68 (59%)*
No. of cellular mobile telephone connections (in lakh)	3.60	8.82	19.41	27.47	32.42
No. of public telephones, both local and STD (in lakh)	2.40	2.79	2.79	2.60	2.39

* figures in brackets indicate percentage of capacity utilization

A review of the same revealed the following:

- The overall capacity utilisation of telephone exchanges went down from 73 *per cent* in 2003-04 to 58 *per cent* in 2006-07, however it increased by one per cent in 2007-08.



- The number of cellular mobile telephones had increased from 3.60 lakh in 2003-04 to 32.42 lakh in 2007-08.
- The number of public telephones had increased from 2.40 lakh in 2003-04 to 2.79 lakh in 2005-06, however it decreased by about 8 *per cent* in 2007-08.

4.4.2 Financial performance

The financial results of the Company for the five years ending 31 March 2008 were as under:

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Income from services	6369.60	5582.07	5562.99	4909.32	4722.52
Other income	314.33	491.72	528.01	673.53	607.42
Expenditure (excluding interest and prior period adjustments)	4963.36	4822.30	5395.20	4788.15	4695.50
Interest	34.62	35.81	24.44	2.01	2.78
Profit before tax and prior period adjustments	1685.95	1215.67	671.36	792.68	631.65
Prior period adjustments	(-) 84.12	(-) 9.45	2.63	215.70	180.07
Profit before tax	1601.83	1206.22	673.99	1008.38	811.72
Tax provision	451.35	267.24	93.70	326.65	224.83
Profit after tax	1150.48	938.98	580.29	681.73	586.89
Paid up capital	630.00	630.00	630.00	630.00	630.00
Proposed dividend including tax	319.82	322.78	287.34	289.21	294.83
- Final dividend	283.50	283.50	252.00	252.00	252.00
- Tax on dividend	36.32	39.28	35.34	37.21	42.83
Percentage of dividend to paid up capital	45	45	40	40	40

Profit after tax had decreased by 14 *per cent* compared to the previous year mainly on account of decrease in income from services by 4 *per cent* over the last year's income, although the expenditure also decreased by 2 *per cent* over the previous year's expenditure.

4.5 Revenue Arrears

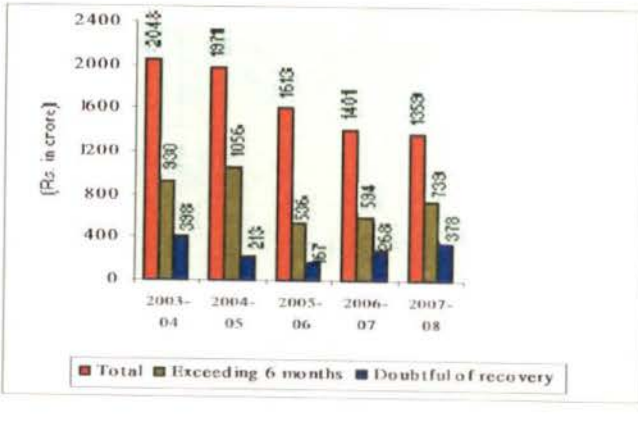
The position of revenue arrears during the last five years up to 31 March 2008 was as under:

(Rs. in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Revenue income	6369.60	5582.07@	5562.99	4909.32	4722.52
2.	Sundry Debtors					
	(a) Exceeding 6 months	930.30 (45%)*	1056.23@ (54%)*	536.22 (33%)*	594.41 (42%)*	739.16 (54%)*
	(b) Up to 6 months	1117.75	915.23@	1077.12	806.79	619.39
	(c) Total (a + b)	**2048.05**	**1971.45@**	**1613.34**	**1401.20**	**1358.55**
3.	Revenue arrears [2(c)]	2048.05	1971.45@	1613.34	1401.20	1358.55
4.	Percentage of revenue arrears to revenue income [sl. no. (3 / 1) X 100]	32	35	29	29	29
5.	Revenue arrears considered doubtful of recovery	397.85	213.42@	179.91	293.96	378.25
6.	Percentage of doubtful revenue arrears to total revenue arrears [sl. no. (5 / 3) X 100]	19	11	11	21	28

* *Figures in brackets indicate percentage of Debtors (revenue arrears) exceeding six months to total revenue arrears [sl. no. 2(a) / 3 X 100]*

@ *These previous year figures have been recast in the annual accounts of the Company for the year 2005-06.*



It may be seen that the percentage of doubtful revenue arrears to total revenue arrears which was 21 *per cent* for the year 2006-07 had increased to 28 *per cent* for the year 2007-08.

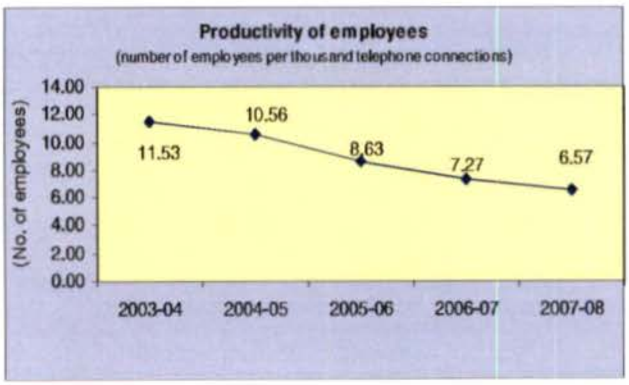
4.6 Manpower

The total manpower strength of MTNL as at the end of each of the last five years ended 31 March 2008 was as under:

Year	Group A	Group B	Group C	Group D	Total manpower	Daily Rated Mazdoors
2003-04	1083	6042	33083	15552	**55760**	82
2004-05	1390	5916	32004	15089	**54399**	82
2005-06	1130	6658	29834	13511	**51133**	79
2006-07	1232	5523	28878	12821	**48454**	75
2007-08	1257	5342	28214	12538	**47351**	71

As may be seen from the above table, the overall manpower had decreased over the last five years.

4.7 Productivity



The productivity of MTNL employees (i.e. ratio of the number of employees per thousand telephone connections or DELs including cellular mobile connections) for each of the last five years up to 31 March 2008 showed a gradual improvement. As indicated in the graph, the number of employees per thousand telephone connections (including cellular mobile connections) decreased from 11.53 in 2003-04 to 6.57 in 2007-08.

CHAPTER V

MAHANAGAR TELEPHONE NIGAM LIMITED

MAJOR FINDINGS IN TRANSACTION AUDIT

5.1 Idle investment on construction of hostel building

MTNL, Mumbai unit failed to obtain occupancy certificate from the Municipal Authority, for the top eight floors of the ground plus twelve floors Hostel building for more than five years, resulting in idling of investment of Rs. 16.24 crore.

Chief General Manager, Mahanagar Telephone Nigam Limited (Company), Mumbai, sanctioned (November 1999) a Project Estimate costing Rs. 14.73 crore for construction of a hostel building at the Centre for Excellence in Telecom Technology and Management (CETTM), Mumbai. The estimate provided for the construction of A Wing (Ground floor), B and C Wings (Ground plus 12 floors) and D Wing (Ground plus five floors). The estimate was revised (March 2002) to Rs. 30.57 crore with additional 12 floors on A wing. The construction work of Hostel building in respect of B, C and D wings was completed in November 2002 and A wing in February 2004.

Audit scrutiny of the records of the Chief General Manager, CETTM, Mumbai revealed that the Company had applied for occupation certificate in February 2004 against which permission for part occupation up to the fourth floor of the hostel buildings was granted (April 2005) with the stipulation that all the conditions of the Mumbai Municipal Corporation Act would be complied with. Audit found that the Lift Inspector Certificate and No Objection Certificate from the Chief Fire Officer were obtained only in April 2005 and November 2005 respectively, after delay of one year. Audit further noticed that the mandatory permission for non agricultural usage of land could not be obtained by the Company and a consultant was appointed in April 2007. As the Company did not meet the requirements of the Mumbai Municipal Corporation Act, it failed to obtain the occupancy certificate for the remaining eight floors, even after three to five years of construction of the different wings and the building could not be fully utilised, resulting in idle investment of Rs. 16.24 crore*.

On this being pointed out by Audit, the Management stated (August 2008) that the Collector office was approached continuously by the consultant and officers of the company for issue of permission for non agricultural usage of the plot and the same was obtained in June 2008. It was further stated that the Municipal Corporation of Greater Mumbai was being approached for grant of full occupation certificate. The reply is not tenable as B, C and D Wings were

* Calculated proportionately for vacant eight floors

completed in November 2002 and A wing was completed in February 2004. Due to lack of synchronisation and non execution of subsidiary work simultaneously, there were avoidable delays at each stage and even in obtaining the requisite certificates. Hence the occupation certificate could not be obtained. Further, permission for non agricultural usage of land, a prerequisite for obtaining occupancy certificate should have been obtained prior to its development in 2002. A consultant for the job was appointed only in April 2007, when the civil work was almost over.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

5.2 Extra expenditure due to non-availing of Bill Mail Service

Mahanagar Telephone Nigam Limited, Mumbai failed to avail the cheaper Bill Mail Service provided by the Department of Post for dispatch of telephone bills to its customers. This resulted in extra expenditure of Rs. 6.10 crore.

The Government of India (GOI) introduced the Indian Post office (First Amendment Rules) 2003 and included Bill Mail Service (BMS) vide rule 10-C. Consequently the Department of Post (DoP) from September 2003 provided BMS for communication of bills, monthly account bills or other such items of similar nature posted by a service provider to a customer at least once in 90 days. The tariff was Rs. 3 per article upto 20 grams and Rs. 1.60 for every additional 20 grams or part thereof in excess of 20 grams. MTNL was eligible to post telephone bills under BMS as it satisfied the conditions stipulated by DoP.

Audit scrutiny (February - October 2007) of the records of office of the General Managers Navi Mumbai, South, Central, East-I, II and West-I, II, III revealed that MTNL could not avail of the cheaper BMS and telephone bills were being dispatched through ordinary post at the rate of Rs. 5 per bill. Audit noticed that MTNL, Corporate office and Mumbai unit failed to assert their eligibility for availing of BMS and get the facility from DoP. This resulted in extra expenditure of Rs. 6.10 crore ***(Appendix-XXV)*** on dispatch of telephone bills during the period from April 2004 to March 2007.

On this being pointed out by Audit, the Joint General Manager (TR&IR), MTNL, Corporate office stated (June 2008) that the Company on its part had made sincere efforts to avail of BMS and inspite of all efforts, DoP was reluctant to give the facility to MTNL. It was further stated that the MOU was finally signed, effective from 01.05.2008. The reply is not convincing as MTNL was all along trying to have a comprehensive MOU with DoP covering various issues such as collection of telephone bills by India Post, sale of recharge coupons, Direct Post service including BMS. As there was a delay in finalisation of MOU the implementation of BMS also got delayed. The MTNL failed to delink the issue of BMS and insist on its implementation with effect from September 2003 itself based on the GOI notification and not from April 2008 onwards based on the MOU as it was their legal right.

The matter was referred to the Ministry in April 2008; its reply was awaited (October 2008).

5.3 Excess payment of Security Deposit

MTNL, Mumbai failed to claim refund of excess paid security deposit with Brihanmumbai Electricity Supply and Transport Undertaking, resulting in blocking of Rs. 2.98 crore and loss of interest of Rs. 20.43 lakh.

The Electricity Tariff Rules of Brihanmumbai Electricity Supply and Transport Undertaking (BEST) provide for security deposit* from the consumer, equivalent to the average of three months' billing or the billing cycle period, whichever was less. For the purpose of determining the average billing, the average of the billing to the consumer for the last twelve months, or in cases where supply had been provided for a shorter period, the average of the billing of such shorter period, would be considered. The rule further provides that if the amount of security deposit maintained by the consumer was higher than the security deposit required to be maintained, BEST would refund the excess amount of such security deposit in a single payment upon the request of the person who gave the security.

Audit scrutiny (May 2008/October 2007) of the records relating to electricity bills of the telephone exchanges under the jurisdiction of the General Managers (GMs), (Call Centre, North, Central, South), MTNL, Mumbai for the period from January 2003 to December 2007, revealed that the security deposit with BEST was much higher than the monthly average of the bills in respect of these exchanges. The excess amount of the security deposit was neither claimed as refund nor got adjusted in the subsequent bills. This resulted in blocking of Rs. 2.98 crore as of December 2007, besides loss of interest of Rs. 20.43 lakh, being the differential between the interest allowed by BEST and the interest earned by the Company on its deposits with the banks.

On this being pointed out by Audit, the GM, South replied (May 2008) that the matter was under examination. The GM, Central stated (May 2008) that the matter had been taken up with BEST for refund of security deposit. The GM, North mentioned (May 2008) that the concerned Deputy General Managers had been directed to prefer claims with BEST. The reply indicates lack of periodic monitoring of the security deposit with reference to the average billing.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

* Calculated once every financial year.

5.4 Non-levy of interest on delayed payments of Interconnect Usage Charges

MTNL Mumbai failed to levy interest to the tune of Rs. 1.16 crore on the delayed payments of Interconnect Usage Charges by the private operators.

The interconnect agreements between Mahanagar Telephone Nigam Limited (MTNL) Mumbai and various private service providers (PSPs) stipulated that bills on Interconnect Usage Charges were to be issued monthly by the designated units of MTNL and should be paid within 15 days from the date of its issue. In the event of delayed payment of 15 days and beyond, interest was payable on due amounts by the subscribers at the rate of 15 to 21 *per cent* per annum depending on the extent of delay or at the prevailing prime lending rate of State Bank of India plus 5 *per cent*, whichever is higher.

A test check of records (January to April 2007) of Chief Accounts Officer (ICB), office of the General Manager (TR), MTNL Mumbai, revealed delay in payment of bills ranging from 9 to 166 days (January 2004 to October 2006) by Videsh Sanchar Nigam Limited (VSNL) and 9 to 885 days (June 2003 to October 2006) by Tata Teleservices (Maharashtra) Limited (TTML) and the interest payable on the bill amounts worked out to Rs. 32.96 lakh and Rs. 83.10 lakh, respectively. MTNL failed to raise the claim of interest from these PSPs.

On this being pointed out by Audit, General Manager (TR) MTNL Mumbai stated (August 2007) that an amount of Rs. 33.57 lakh on account of interest on delayed payments for the period from January 2004 to March 2007 had been realised in respect of VSNL and demand letter for Rs. 83.10 lakh issued against TTML in November 2006. The recovery particulars in respect of TTML were awaited as on October 2008.

The matter was referred to the Ministry in April 2008; its reply was awaited (October 2008).

5.5 Infructuous expenditure on hiring of buildings

MTNL, Delhi had to surrender rented unauthorized buildings hired for commissioning of telephone exchanges, resulting in infructuous expenditure of Rs. 94.83 lakh on rent.

Mahanagar Telephone Nigam Limited, Delhi unit decided to commission telephone exchanges at Tuglakabad Extension, Gandhi Nagar-II, Shashtri Park, Kapashera and Model Town areas and five detailed estimates were sanctioned at a cost of Rs. 7.59 crore. In order to install the exchanges, the concerned General Managers rented buildings at these locations between October 2003 and November 2007.

Audit scrutiny of the records of the General Managers (GMs), North, South, Janakpuri and Trans Yamuna revealed that the Management had failed to ensure that the buildings hired for commissioning of exchanges had approved building plans or requisite completion certificates and were authorised. Audit also noticed that while installation work of these exchanges was in progress and Rs. 1.43 crore had been spent on components such as exchange equipment and electricity, the Management found (May 2006) that the buildings were unauthorised and had to be vacated. Hence, it was decided to cancel the projects, shift the equipment, vacate the buildings, and write off losses on this account. All the five buildings were vacated by November 2007.

Thus, hiring of unauthorised buildings resulted in infructuous expenditure of Rs. 94.83 lakh on rent for the period October 2003 to November 2007. Besides, the objective of opening new telephone exchanges for expansion of business could not be met.

On this being pointed out by Audit, the concerned GMs while confirming (January/April 2008) the fact of hiring unauthorised buildings, did not offer any reasons thereof.

The matter was referred to the Ministry in July 2008; its reply was awaited (October 2008).

ITI LIMITED

CHAPTER VI
ORGANISATIONAL SET UP AND FINANCIAL MANAGEMENT

6.1 Introduction

Indian Telephone Industries Limited, Bangalore was incorporated in January 1950 as a Company and was renamed as ITI Limited (Company) in January 1994. The Company has production units located at Bangalore, Palakkad, Naini, Raibareli, Mankapur, and Srinagar. The products manufactured by the Company are mainly classified into switching (OCB 283, C-DOT exchanges etc), transmission (microwave radio equipment, line equipment, digital MCPC VSAT, IDR equipment, PDH, SDH etc.), access equipment (GSM and CDMA WLL), and telephone instruments. Bharat Sanchar Nigam Limited (BSNL) has been the major customer of the Company over the years and other customers included Mahanagar Telephone Nigam Limited (MTNL), Defence Services, Railways, Power, Steel and Oil sectors.

6.2 Organisational Set up

The administrative and over all functional control of the Company is vested with the Board of Directors headed by the Chairman cum Managing Director (CMD) who is assisted in day-to-day management of the Company by four functional Directors (Finance, Marketing Production and Human Resources Development) and Company Secretary. The units are headed by General Managers.

6.3 Investment and Returns

Against the authorised share capital of Rs. 700 crore, the paid-up capital, as on 31 March 2008, was Rs. 588 crore, consisting of Rs. 288 crore as equity and Rs. 300 crore as cumulative redeemable preference shares. The investment by Government of India was Rs. 267.47 crore towards the equity capital. Since the Company was incurring loss since 2002-03, no dividend was paid for the years 2002-03 to 2007-08.

6.4 Physical Performance

The physical performance of the Company as at the end of each of the last five years ending 31 March 2008 is given in ***Appendix-XXVI***. It was seen that:

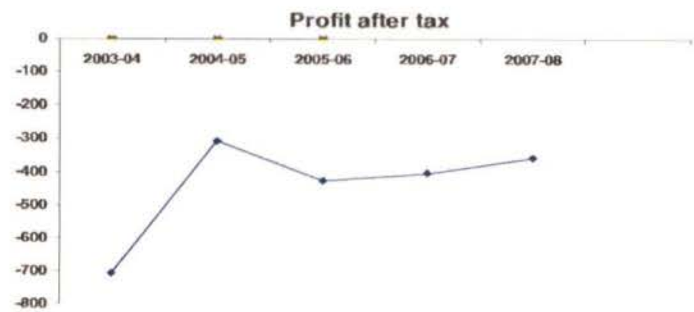
(i) In respect of switching products (except C-DOT Exchanges), though there was an increase in utilisation of installed capacity from 26 *per cent* in 2003-04 to 47 *per cent* in 2004-05, it declined to 46 *per cent*, 31 *per cent* and 21 *per cent* during 2005-06, 2006-07 and 2007-08 respectively.

(ii) In respect of transmission products, the utilization of installed capacity ranged between 58 *per cent* (2003-04) and 96 *per cent* (2006-07). However, during 2007-08 the utilization of installed capacity was about 45 *per cent.*

(iii) In respect of terminal equipment the utilisation of installed capacity ranged from 26 *per cent* to 30 *per cent* during the years 2003-04 to 2006-07. However, during 2007-08 the utilization of installed capacity was only 7 *per cent.*

6.4.1 Financial Performance

The financial results of the Company for the last five years ended 31 March 2008 were as follows:



(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Sales including Services (excl. Excise Duty)	1197.86	1317.87	1660.74	1762.63	1152.51
Other Income	52.94	56.30	102.90	109.27	67.07
Interest earned	6.09	0.27	7.82	2.08	1.81
Transfers from Grant-in-aid	(52.74)	447.78	27.87	61.32	357.20
Expenditure (excluding interest and prior period adjustments)	1729.98	1931.14	2022.58	2098.28	1611.16
Interest	157.97	187.15	202.11	201.71	263.29
Profit before tax and prior period adjustments	(683.80)	(296.07)	(425.36)	(364.69)	(295.86)
Prior period adjustments	(22.03)	(13.75)	(2.19)	(40.01)	(61.37)
Profit before tax	(705.83)	(309.82)	(427.55)	(404.70)	(357.23)
Tax provision (Fringe Benefit Tax)	–	-	1.21	0.56	1.15
Deferred Tax	–	-	–	–	–
Profit after tax	(705.83)	(309.82)	(428.76)	(405.26)	(358.38)
Proposed dividend	NIL	NIL	NIL	NIL	NIL

The Company incurred huge losses of Rs. 705.83 crore during the year 2003-04 mainly due to poor sales performance and high expenditure. The loss during the year 2004-05 came down to Rs. 309.82 crore mainly on account of receipt of grant in aid of Rs. 447.78 crore from Government of India. The losses of Rs. 427.55 crore and Rs. 404.70 crore respectively during 2005-06 and 2006-07 were due to increase in cost of sales. The reduction in loss to Rs. 357.23 crore during the year 2007-08 was due to receipt of Grant-in-Aid of Rs. 357.20 crore from Government of India.

6.5 Outstanding Dues

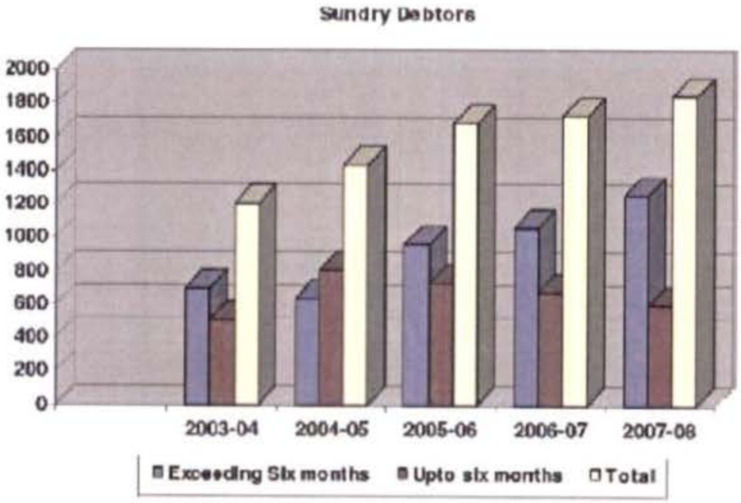
The major customers of the Company are Government Companies, viz., BSNL and MTNL. The Company has not laid down any credit policy so far (September 2008).

The position of sundry debtors as at the end of each of five years ended 31 March 2008 were as under:

(Rs. in crore)

Sl. No	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Total sales including services (incl. excise duty)	1256.57	1389.01	1749.38	1818.33	1210.04
2.	Total sundry debtors					
	(a) Exceeding six months	691.73 (58)*	632.05 (44)*	954.75 (57)*	1053.22 (61)*	1250.54 (68)*
	(b)Upto six months	508.44	803.69	724.24	670.88	592.23
	(c) Total (a+b)	1200.17	1435.74	1678.99	1724.10	1842.77
3.	Percentage of total Sundry debtors to sales	96	103	96	95	152
4.	Doubtful debts	11.02	15.52	16.53	16.47	17.53

*Figures in bracket indicate percentage of debtors exceeding six months to total debtors i.e. (2a/2c) x 100.



It could be seen from the above that debtors showed an increasing trend during 2003-04 to 2007-08. The figure of debtors remained almost at par with the sales figure in these years except in the year 2007-08. The percentage of total sundry debtors to sales ranged between 95 *per cent* and 152 *per cent*.

Position of unbilled debtors included in debtors for the year during the period from 2003-04 to 2007-08 was as under:

(Rs. in crore)

Year	Total debtors as at the year end (net of provision)	Sundry debtors for the year	Billed	Unbilled	Percentage of unbilled Drs. To debtors for the year
2003-04	1189.15	632.57	328.44	303.13	47.92
2004-05	1420.21	853.32	786.24	67.09	7.86
2005-06	1662.46	824.57	716.79	107.78	13.07
2006-07	1707.63	998.00	777.00	221.00	22.14
2007-08	1825.24	802.15	738.01	64.14	8.00

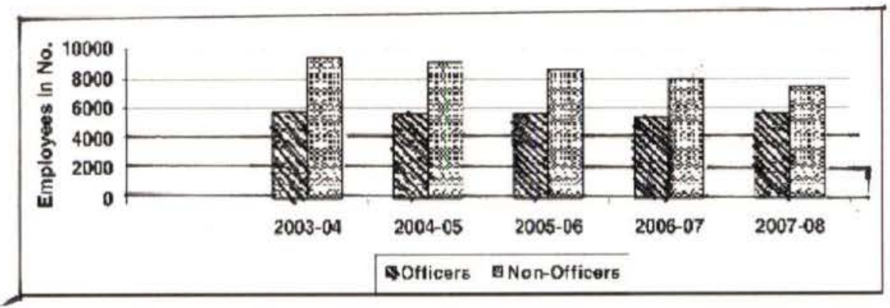
Though there were debts outstanding for more than five years, the Company had not obtained confirmation from the debtors during any of the years. The Statutory Auditors had also repeatedly commented about the Company not obtaining confirmation from the Sundry Debtors.

6.6 Manpower

The total manpower strength of the Company as at the end of each of the last five years ending 31 March 2008 was as given below:

Year	Group A	Group B	Group C	Group D	Total Manpower
2003-04	1639	4129	9396	57	15221
2004-05	1480	4194	8920	41	14635
2005-06	1464	4254	8516	23	14257
2006-07	1645	3821	7943	6	13415
2007-08	1330	4283	7429	3	13045

It would be seen that there has been 14 *per cent* reduction in overall manpower during the last five years up to 2007-08. The breakup of officers and non-officers for the last five years was as follows:

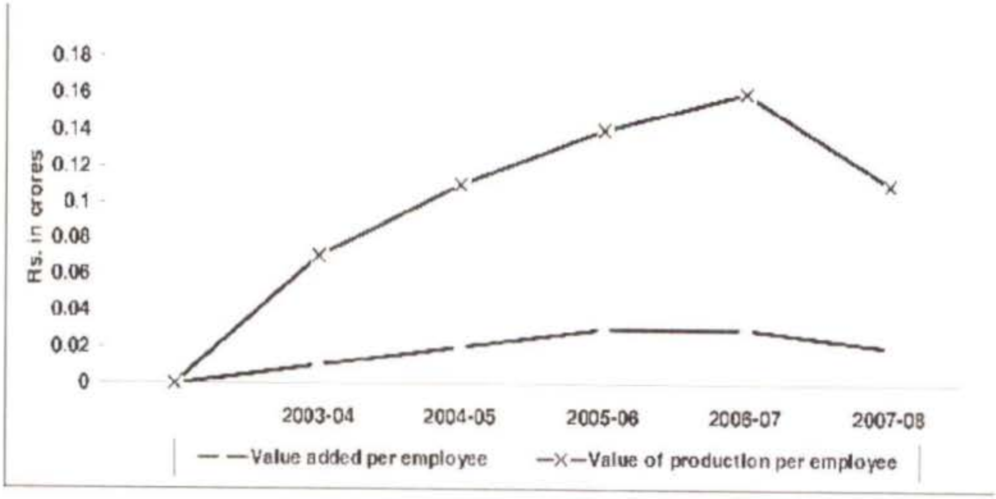


Year	Officers	Non-officers
2003-04	5768	9453
2004-05	5674	8961
2005-06	5718	8539
2006-07	5466	7949
2007-08	5613	7432

The reduction in overall manpower was mainly due to retirement of employees under voluntary retirement scheme.

6.7 Productivity

The productivity of employees of the Company in terms of value added and value of production during last five years ended 31 March 2008 was as follows:



(Rs. in crore)

Year	Value added per employee	Value of production per employee
2003-04	0.01	0.06
2004-05	0.01	0.09
2005-06	0.03	0.11
2006-07	0.03	0.13
2007-08	0.02	0.09

TELECOMMUNICATION CONSULTANTS INDIA LIMITED

CHAPTER VII
ORGANISATIONAL SET UP AND FINANCIAL MANAGEMENT

7.1 Introduction

Telecommunication Consultants India limited (Company) with its registered and corporate office located in New Delhi, was incorporated in 1978 under the Companies Act, 1956 to provide consultancy and know-how in the area of expansion and modernisation of telecommunication networks. The Company has taken up consultancy services and turnkey projects not only in the field of telecommunication within the country and abroad, but also in the hi-tech area of development of communication related software packages. The operations of the Company are carried out through three regional offices in the country and 15 foreign project offices in countries in Africa, South East Asia and the Middle East.

7.2 Organisational setup

The administrative and overall functional control is vested with the Board of Directors headed by the Chairman and Managing Director (CMD) who is assisted in day-to-day management of the Company by functional Directors and a Company Secretary. The Regional Offices are headed by Sr. General Managers/ General Managers.

7.3 Investments and Returns

The authorised equity share capital of the Company was Rs. 30 crore and the paid up capital was Rs. 28.80 crore as on 31 March 2008. The Government of India owned the entire paid up capital. TCIL commenced business with initial seed capital of Rs. 30 lakh during 1978-83 invested by Government. Present paid-up share capital is Rs. 28.80 crore including value of Bonus shares to the extent of Rs. 28.50 crore consisting of one 2:1 and five 1:1 bonus issues.

7.4 Financial Performance

The financial results of the Company for the five years ending 31 March 2008 were as follows:

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
i) Income from projects (Sales)					
a) Foreign project	387.92	327.08	206.52	194.31	167.54
b) Indian Projects	121.02	91.41	246.98	188.28	218.80
Total Income from Projects	**508.94**	**418.49**	**453.50**	**382.59**	**386.34**
ii) Other or Misc. Income	35.50	30.65	30.00	28.01	28.54
iii) Profit before tax	50.77	13.68	17.40	5.94	3.51
iv) Tax Provision	3.75	3.31	16.60	4.72	1.39
v) Profit after tax	47.02	10.37	0.80	1.22	2.12
vi) Proposed Dividend	21.60	21.60	0	0	0
vii) Tax on proposed Dividend	2.82	3.03	0	0	0

7.5 Manpower

The total manpower strength of the Company as at the end of each of the five years ending on 31 March 2008 is given below:

Year	Executive	Non-executive	Total manpower
2003-04	505	764	1269
2004-05	519	709	1228
2005-06	547	377	924
2006-07	428	503	931
2007-08	396	500	896

It may be seen from above that the total manpower was reduced by 29 *per cent* over the last five years.

INTELLIGENT COMMUNICATION SYSTEMS INDIA LIMITED

CHAPTER VIII
ORGANISATIONAL SET UP AND FINANCIAL MANAGEMENT

8.1 Introduction

Intelligent Communication Systems India Limited (Company) a joint venture of Telecommunications Consultants India Limited (TCIL) and Delhi State Industrial and Infrastructure Development Corporation Limited (DSIIDC), formally Delhi State Industrial Development Corporation Limited (DSIDC) was incorporated in April 1987. The main objective of the Company was to manufacture computer based communication systems and equipment to meet the growing demand in communication and Information Technology sectors. The Company also provides engineering technical and management consultancy services for computers and communication systems in India and abroad.

However, the Company ceased to conduct manufacturing activities and surrendered its manufacturing license to excise authorities in April 1995 for manufacture of excisable goods. At present the Company is engaged in trading of computers and other telecommunication systems.

8.2 Organisational setup

The administrative and overall functional control is vested with the Board of Directors. There is full time Managing Director on deputation from TCIL. He is assisted in day-to-day affairs of the Company by Joint General Manager, General Manager (Finance) and Company Secretary who were also on deputation from TCIL. The Board of Directors consists of five members (three from TCIL and two from DSIIDC).

8.3 Investment and Returns

The authorised and paid up capital of the Company, as on 31 March 2008, was Rs. 100.00 lakh contributed by the following companies:

TCIL	36 *per cent*
DSIDC	40 *per cent*
Orison Infocom Pvt. Ltd.	09 *per cent*
Falcon Cables	15 *per cent*
TOTAL	100 *per cent*

The company has earned profit (after tax) of Rs. 41.70 lakh during the year 2007-08.

8.4 Physical and Financial Performance

The Company discontinued manufacturing business and is concentrating mainly on trading of computers and telecommunication systems, turnkey sales of cables, annual maintenance contracts, repairs of E-10B, C-DOT, New Tech cards and Franchise business Project.

8.5 Financial Performance

The financial results of the Company for the five year ending 31 March 2008 were as follows:

(Rs. in lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
i) Income from Projects (Sales & Services)	2286.40	2394.18	3261.66	493.87	664.92
ii) Net Sales	2286.40	2394.18	3261.66	493.87	664.92
iii) Other or Misc. Income	111.45	39.95	14.99	66.27	34.19
iv) Profit / Loss before tax and prior period adjustments and extraordinary items	5.37	15.58	9.91	5.98	49.14
v) Prior period adjustments (Net) Credit.(+) / Debit (-)	(-)0.19	(-) 0.07	(-)0.15	(-) 0.12	0.55
vi) Extraordinary items (Net)	(+)27.71	(-)4.98	(+)0.14	-	-
vii) Tax provision	(+)0.57	(-)2.29	(-)4.97	(-)4.01	(-)7.99
viii) Profit after tax	33.46	8.24	4.93	1.85	41.70
ix) Dividend	-	-	-	-	-

It would be seen from the above table that the Company has continued to earn during the year 2006-07 and 2007-08. The profit of the Company has increased from Rs. 1.85 lakh for the year 2006-07 to Rs. 41.70 lakh for the year 2007-08.

8.6 Manpower

The total manpower of the Company as on 31 March 2008 was 13 in 'C' and 'D' cadres other than staff on deputation.

MILLENNIUM TELECOM LIMITED

CHAPTER IX
ORGANISATIONAL SETUP AND FINANCIAL MANAGEMENT

9.1 Introduction

Millennium Telecom Limited (Company), with its registered office located in Mumbai, was incorporated in February 2000 under the Companies Act 1956, as a wholly owned subsidiary of Mahanagar Telephone Nigam Limited (MTNL). The Company obtained a category 'A' licence from the Department of Telecommunications (DoT) for providing Internet services throughout India. It signed a Memorandum of Understanding (MOU) with the Himachal Pradesh State Electronics Development Corporation Limited (a Government of Himachal Pradesh Enterprise) in July 2001 for providing Internet Software Package (ISP) services at Shimla, Himachal Pradesh. The services commenced with effect from 25 February 2002. During 2002-03, the Company also decided to associate with State Electronic Development Corporations to provide Internet services in various States and accordingly, signed MOUs with Karnataka State Electronics Development Corporation, West Bengal Electronics Industry Development Corporation Limited and Beltron Communications Limited, Patna for providing Internet services in Karnataka, West Bengal and Bihar, respectively. The Company has also been providing online tendering services, namely 'Nivida Sewa' and 'Tender Mart' to its clients, mainly Mahanagar Telephone Nigam Limited (MTNL). The ISP Shimla project, however, was closed with effect from January 2004 due to consecutive losses in the preceding two years.

9.2 Organisational setup

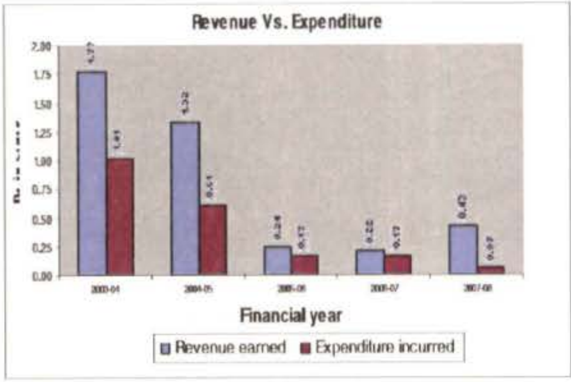
The administrative and overall control of business activities of the Company are vested with the Board of Directors headed by the Chairman (CMD of MTNL), who is assisted in day to day management by a Chief Operating Officer and an Internal Financial Advisor. Besides, there are three other Directors (all from MTNL) on the Board of the Company.

9.3 Investment

Against the authorised equity share capital of Rs. 100 crore, the paid-up capital as on 31 March 2008 was Rs. 2.88 crore, which was totally subscribed by MTNL, its holding Company.

9.4 Financial Performance

During 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 the Company's income was Rs. 1.77 crore, Rs.1.32 crore, Rs. 0.24 crore, Rs. 0.22 crore and Rs. 0.43 crore against expenditure of Rs. 1.01 crore, Rs. 0.61 crore, Rs. 0.17 crore, Rs. 0.17 crore and Rs. 0.07 crore respectively (as seen from the graph) At present, no revenue is being generated from its operations, i.e., from e-tendering services, sale of ISP packs services, etc. and the entire income earned during the year was from interest on Fixed Deposits and other miscellaneous receipts.



The Company earned net profit before tax of Rs. 0.76 crore, Rs. 0.71 crore, Rs. 0.07 crore, Rs. 0.05 crore and Rs. 0.36 crore during 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 respectively.

9.5 Manpower

The Chief Operating Officer manages the day to day business activities of the Company, mainly with the help of employees of MTNL. The total manpower strength of the Company as at the end of each of the last five years ending on 31 March 2008 is given below:

Year	Group A	Group B	Group C	Group D	Total manpower
2003-04	3	8	1	3	15
2004-05	2	3	0	1	6
2005-06	8	--	--	--	8
2006-07	8	4	2	1	15
2007-08	8	2	1	1	12

CHAPTER X
FOLLOW UP ON AUDIT REPORTS

10 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 in the Audit Report.

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.

Further, 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 Department of Telecommunications (Ministry of Communications and Information Technology) revealed that final ATNs in respect of 126 paragraphs, as detailed in the ***Appendix-XXVII***, were awaited as of October 2008.

New Delhi
Dated : 19th May '09

(PRAVIN TRIPATHI)
Deputy Comptroller and Auditor General
and Chairperson, Audit Board

Countersigned

New Delhi
Dated : 21 MAY 2009

(VINOD RAI)
Comptroller and Auditor General of India

Appendix – I
(Referred to in paragraph 2.1 at page 9)
Statement showing loss of revenue due to poor CCR at Level-1 TAXs in Patna

Particulars of Level-I TAX at Patna	Average minimum number of calls received per day in each TAX (In lakh)	Target for successful call completion : (42% of Col 2) (in lakh)	Average number of successful calls required per year for meeting target of 42% (Col3*365) (in crore)	Average maximum number of successful calls per day in each TAX (In lakh)	Average maximum number of successful calls per year in each TAX (Col 5 * 365 days) (In crore)	Short fall in successful calls in crore (Col 4-6)	Short fall in revenue per year. (Rs 1.20 per call * Col 7) (Rs in crore)
1	2	3	4	5	6	7	8
OCB TAX Patna (PT-1)	60	25	92	20	73	19	23
EWSD TAX Patliputra (PT-2)	25	11	38	8	29	9	11
AXE-10 TAX Rajendranagar (PT-3)	125	53	192	35	128	64	77
OCB TAX Budhmarg (PT-4)	6	0	0	0	0	0	0
Total						**92**	**110**

Loss of revenue (Approximate)

Year	Shortfall in calls (crore)	Loss of revenue (Col 2 * Rs 1.20 per call) (Rs in crore)
2005-06	91.98	110
2006-07	91.98	110
2007-08 (April to October)	53.65	64
Total		**285**

PT-4 TAX was not taken for calculation as the same was installed in February 2007.

NOTE

The calls received in TAX originate from home network and other operators network. BSNL was not in a position to furnish split up figures of home network calls and other operators network. In the absence of split up all the calls were treated as home network calls and loss of revenue was calculated @ Rs. 1.20 per call.

Appendix – II
(Referred to in paragraph 2.2 at page 10)
Details of loss of subsidy due to non- provision of RDELS and maintenance of fault-free and functional VPTs

(Rs. in lakh)

Sr. No	Name of the circle/SSA	Period	Amount of loss
Gujarat telecom circle- RDELs			
1	GMTD,Bharuch	2007-08	103.93
2	Bhavnagar	2007-08	34.48
3	GMTD,Jamnagar	2007-08	40.24
4	GMTD,Surendra Nagar	2007-08	1.56
5	GMTD,Vadodara	2007-08	539.96
6	Amreli	2007-08	7.38
7	GMTD,Godhra	2007-08	636.85
8	Himat Nagar	2007-08	0.69
9	GMTD,Palanpur	2007-08	244.07
10	Valsad	2007-08	151.84
11	PGMTD,Surat	2007-08	342.91
12	GMTD, Rajkot	2007-08	22.91
13	Bhuj	2007-08	9.72
Sub-Total			**2136.54**
Rajasthan telecom circle-VPTs			
1	GMTD Jodhpur	April 2004 to March 2007	12.89
2	GMTD Ajmer	April 2004 to September 2007	6.20
3	TDM Barmer	April 2005 to June 2007	10.34
4	PGMTD Jaipur	April 2004 to September 2007	6.51
5	TDE Jaisalmer	July 2004 to December 2007	8.00
6	GMTD Kota	October 2003 to March 2008	10.08
7	GMTD Banswara	July 2006 to March 2008	2.82
Sub-Total			**56.84**
Uttar Pradesh (East) telecom circle-VPTs			
1	GMTD Varanasi	January 2005 to September 2007	181.68
2	GMTD Jhansi	January 2004 to March 2006	164.91
3	GMTD Allahabad	April 2003 to December 2006	282.54
4	TDM Baharaich	April 2004 to March 2007	112.76
5	TDM Ghazipur	July 2004 to June 2007	115.01
Sub-Total			**856.90**
Uttar Pradesh (West) telecom circle-VPTs			
1	GMTD Bulandshahar	July 2005 to March 2007	37.86
2	TDM Etah	July 2004 to March 2007	97.74
Sub-Total			**135.60**
Maharashtra telecom circle -VPTs			
1	Kalyan	June 2002 to December 2007	19.19
2	Nagpur		11.52
3	Ratnagiri		29.78
4	Wardha		19.10
Sub total			**79.59**
Grand Total			**3265.47**

say, Rs. 32.65 crore

Appendix – III
(Referred to in paragraph 2.3 at page 11)
Continuation of telephone facilities despite non-payment of dues

(Rs. in lakh)

S. No	Name of circle/SSA	Number of subscribers	Period of non-recovery	Amount of non-recovery	Recovery /Adjustment made	Balance amount to be recovered
Uttar Pradesh (East) telecom circle						
1	General Manager Telecom District Jhansi	66	April 1996 to March 2008	107.28	91.71	15.57
	Sub-Total			**107.28**	**91.71**	**15.57**
Uttar Pradesh (West) telecom circle						
2	General Manager Telecom District Noida	104	March 1997 to May 2007	300.59	72.92	227.67
	Sub-Total			**300.59**	**72.92**	**227.67**
Bihar telecom circle						
3	TDM, Khagaria	121	April 2005 to August 2006	23.63	10.18	13.45
4	TDM Saharsa	356	April 2005 to October 2006	18.41	8.60	9.81
5	TDM Saharsa	25 Pay phones	April 2006 to October 2006	1.85	1.37	0.48
6	PGMTD Patna	95	April 2005 to May 2007	84.92	9.93	98.62
7	PGMTD Patna	47 STD PCOs	April 2005 to May 2007	23.63		
8	TDM Hajipur	252	April 2005 to March 2007	24.02	14.35	9.67
9	GMTD Katihar	22	April 2005 to November 2006	6.71	1.58	5.13
10	GMTD Katihar	18 STD PCOs	April 2005 to November 2006	2.55	1.24	1.31
	Sub-Total			**185.72**	**47.25**	**138.47**
Jharkhand telecom circle						
11	TDM Dumka	906	April 2005 to March 2007	184.90	0.00	184.90
12	TDM Dumka	375 STD PCO	April 2005 to March 2007	67.46	0.00	67.46
13	GMTD Jamshedpur	519	April 2005 to March 2007	118.78	0.00	118.78
14	GMTD Jamshedpur	166 STD PCOs	April 2005 to March 2007	28.59	0.00	28.59
15	GMTD Ranchi	774	April 2005 to March 2007	270.72	0.00	270.72
16	GMTD Ranchi	25 STD PCOs	April 2005 to March 2007	11.06	0.00	11.06

17	GMTD Dhanbad	149	April 2005 to May 2007	69.31	0.00	69.31
18	GMTD Dhanbad	32 STD PCOs	April 2005 to May 2007	5.11	0.00	5.11
		Sub-Total		**755.93**	**0.00**	**755.93**
Maharashtra telecom circle						
19	GMT Kohlaplur	11	March 1995 to October 2002	16.74	2.67	14.07
20	TDM Jalna	47	January 1993 to March 2005	21.03	13.40	7.63
21	GMT Ratnagiri	49	March 2001 to October 2002	20.40	0.00	20.40
		Sub-Total		**58.17**	**16.07**	**42.10**
		Grand Total		**1407.69**	**227.95**	**1179.74**

Say Rs. 14.08 crore

Appendix – IV
(Referred to in paragraph 2.4 at page 11)
Non-billing due to non-receipt of completed advice notes

(Rs. in lakh)

Sr. No.	Particulars of lines/cables circuits	Advice notes not received		Particulars of bills issued recovery made after issue of Audit Note	
		Period	Amount	Amount recovered	Amount to be recovered
1	2	3	4	5	6
Jharkhand telecom circle					
1	Provision of 29 ports to Reliance Infocom Ltd and 13 ports to Airtel by GMTD Dhanbad	January 2006 to March 2008	30.41	5.90	24.51
2	Provision of 44 ports to RTL, Tata Teleservices and Bharti Cellular Services Ltd. By GMTD Jamshedpur	February 2000 to March 2007	37.10	23.50	13.60
3	Provision of 8 ports to Tata Teleservices Ltd. Ranchi	August 2007 to March 2008	2.77	1.97	0.80
4	Provision of leased circuits to Punjab National Bank by GMTD Ranchi	January 2005 to March 2008	56.64	47.02	9.62
5	Provision of leased circuits to Bank of India by GMTD Ranchi	May 2005 to March 2008	12.37	12.37	0.00
6	Provision of leased circuits to JAPIT Engineering Colled by GMTD Ranchi	July 2007 to March 2008	9.19	0.00	9.19
7	Provision of leased circuit to Canara Bank by GMTD Ranchi	March 2005 to March 2008	5.80	0.00	5.80
8	Provision of leased circuit to Apollo Tyre by GMTD Ranchi	February 2005 to March 2008	2.32	0.00	2.32
9	Provision of leased circuits to L.G. Electronics by GMTD Ranchi	May 2005 to March 2008	1.91	0.00	1.91
10	Provision of leased circuits to Chief Secretary by GMTD Ranchi	December 2006 to March 2008	0.56	0.00	0.56

11	Provision of leased circuits to LIC of India by GMTD Ranchi	May 2005 to March 2008	1.50	0.00	1.50
12	Provision of 2 Mbps Internet leased line to National Institute of Foundry and Forge Technology GMTD Ranchi	September 2005 to September 2007	27.07	4.85	22.22
13	Provision of telecom facilities in respect of 186 subscribers of GMTD Dhanbad	September 2001 to May 2007	18.81	9.30	9.51
14	Provision of telecom facilities in respect of 87 subscribers of TDM Dumka	April 2006 to March 2007	5.17	0.74	4.43
15	Provision of telecom facilities in respect of 594 subscribers of GMTD Ranchi.	October 2000 to March 2007	238.00	110.00	128.00
	Sub-Total		**449.62**	**215.65**	**233.97**
Bihar telecom circle					
1	Provision of leased circuit to Punjab National Bank by GMTD Katihar	January 2007 to January 2008	0.94	0.94	0.00
2	Provision of leased circuit to LIC of India by GMTD Katihar	March 2006 to March 2007	0.55	0.55	0.00
3	Provision of Data circuit to LIC of India by TDM Ara	February 2004 to March 2008	2.89	1.54	1.35
4	Provision of Data circuit to Punjab National Bank by TDM Ara	August 2005 to March 2008	4.29	4.29	0.00
5	Provision of Data circuit to regal Hotel by TDM Ara	August 2005 to March 2008	0.42	0.42	0.00
6	Provision of Data circuit to State Bank of India by TDM Ara	July 2006 to March 2008	2.90	2.90	0.00
7	Provision of telecom facilities in respect of 1069 subscribers by GMT Gaya	October 2006 to April 2007	40.50	25.57	14.93

8	Provision of telecom facilities in respect 232 subscribers of PGMTD Patna	January 2007 to May 2007	33.97	9.92	24.05
9	Provision of telecom facilities in respect of 456 subscribers of TDM Hajipur	November 2006 to May 2007	4.85	4.45	0.40
	Sub-Total		**91.31**	**50.58**	**40.73**
Maharashtra telecom circle					
1	Provision of telecom facilities in respect of 1130 subscribers of GMTD Nanded	April 2004 to July 2006	12.20	0.00	12.20
	Sub-Total		**12.20**	**0.00**	**12.20**
Chennai telephones district					
1	Provision of various circuits to various subscribers by Chennai Telephones	2006-08	10.50	5.72	4.78
	Sub-Total		**10.50**	**5.72**	**4.78**
	Grand Total		**563.63**	**271.95**	**291.68**

Appendix – V
(Referred to in paragraph 2.5 at page 12)
Statement showing the short charging of rentals

(Rs. in lakh)

Sl. No.	Name of circle/SSA	Period of short billing	Amount of short billing	Amount realized	Amount to be recovered
1	2	3	4	5	6
Bihar telecom circle					
1.	GMTD Gaya	April 2002 to September 2007	233.77	0.00	233.77
2.	PGMTD Patna	May 2005 to March 2007	11.97	1.21	10.76
3.	TDM Arrah	April 2006 to September 2007	20.80	0.00	20.80
4.	TDM Motihari	April 2004 to August 2007	8.61	0.00	8.61
5.	TDM Madhubani	July 2002 to January 2008	33.00	0.00	33.00
6.	TDM Begusarai	June 2003 to February 2008	11.63	0.00	11.63
Sub-Total			**319.78**	**1.21**	**318.57**
Jharkhand telecom circle					
1	Dhanabad	April 2003 to March 2007	30.83	0.00	30.83
2	GMTD Hazaribagh	June 2005 to November 2007	17.05	0.00	17.05
Sub-Total			**47.88**	**0.00**	**47.88**
Rajasthan telecom circle					
1	GMTD Jodhpur	May 2002 to June 2007	24.34	0.00	24.34
Sub-Total			**24.34**	**0.00**	**24.34**
Grand Total			**392.00**	**1.21**	**390.79**

Appendix – VI

(Referred to in paragraph 2.6 at page 13)

Non-realisation of rentals for infrastructure facilities provided to licensed service providers

(Rs. in lakh)

Sr. No	Name of the Circle/SSA	Particulars of bills issued and recovery made.			
		Period	**Amount objected in Audit**	**Amount recovered/ adjusted**	**Amount pending for recovery**
Jharkhand telecom circle					
1	GMTD Dhanbad	October 2003 to March 2007	41.49	0.36	41.13
2	GMTD Ranchi	February 2001 to March 2007	27.77	3.75	24.02
Sub-Total			**69.26**	**4.11**	**65.15**
Maharashtra telecom circle					
1	GMT Sangali	2007-08	79.75	53.23	26.52
2	GMT Solapur	April 2006 to March 2008	17.88	13.64	4.24
3	Deputy GM (Maintenance) Nagpur	2006-07 to 2007-08	16.47	16.47	0
4	PGMT Parbhani	2006-07 to 2007-08	20.05	18.78	1.27
5	TDE Gadchroli	July 2006 to March 2008	8.09	2.51	5.58
6	GMT Chandrapur	2006-07 to 2007-08	10.55	9.43	1.12
Sub-Total			**152.79**	**114.06**	**38.73**
Total			**222.05**	**118.17**	**103.88**
					say Rs. 2.22 crore
1	PGMT Pune	December 1996 to March 2008	43.89	41.80	2.09
2	GMTD Jamshedpur	February 1999 to March 2007	64.53	9.01	55.52
Total			**108.42**	**50.81**	**57.61**
					say Rs. 1.08 crore
Grand Total					**say Rs. 3.30 crore**

Appendix – VII
(Referred to in paragraph 2.7 at page 14)
Statement showing loss of revenue due to delayed provision of circuits

(Rs. in lakh)

Name of the circle/SSA	No of leased circuits/Points of Interconnections	Period of delay	Loss of Revenue
Bihar telecom circle			
Telecom District Manager, Ara	8 leased circuits	197 days to 320 days	3.86
	Sub-total		**3.86**
Jharkhand telecom circle			
General Manager Telecom District Ranchi	41 leased circuits	13 days to 332 days	20.98
	Sub-total		**20.98**
Maharashtra telecom circle			
Principal General Manager Telecom District Pune	25 leased circuits	46 to 854 days	247.24
	Sub-total		**247.24**
Orissa telecom circle			
Telecom District Engineer Phulbani	7 leased circuits 6 POIs	112 days to 300 days	17.57
	Sub-total		**17.57**
	Total		**289.65**

Say Rs. 2.90 crore

Appendix – VIII
(Referred to in paragraph 2.8 at page 15)
Non-realisation of claims

Name of the circle	Period	Non-Claim (Rs.)	Short recovery (Rs.)	Total (Rs.)
West Bengal telecom circle	October 2000-August 2007	8396311	6181121	14577432
Eastern Telecom Region	October 2000-March 2007	9540874	0	9540874
Eastern Telecom Project	October 2000-May 2007	3322385	0	3322385
Total				**27440691**

Appendix – IX
(Referred to in paragraph 2.9 at page 16)
Non collection of port charges from private operators on surrender/closure of ports

(Rs. in lakh)

SSA	No of ports closed/ surrendered	Period of non billing	Amount		
			Non-billed	Realised/ written back	Balance to be realised
1. Tamil Nadu telecom circle					
Virudhanagar	22	4/06 to 11/08	5.78	0	5.78
Cuddalore	14	4/2007 to 9/2008	4.34	0	4.34
Maudrai	16	--do--	4.55[1]	2.87	1.68
Tuticorin	6	4/2007 to 7/2008	2.70	0	2.70
Coimbatore	55	4/2007 to 2/2008	12.06	5.42	6.64
Sub Total			**29.43**	**8.29**	**21.14**
2. Chennai Telephones					
O/o DGM(LD&NVS)	100	4/07 to 7/08	25.44	18.50	6.94
--do--	135	4/2007 to 9/2008	36.66	36.66	0
Sub Total			**62.10**	**55.16**	**6.94**
3. Southern Telecom Region, Chennai					
O/o CGM, STR Chennai	19	2/2006to 10/2007	7.86	7.86	0
Sub Total			**7.86**	**7.86**	**0**
Grand Total			**99.39**	**71.31**	**28.08**

Say Rs. 99.39 lakh

[1] *taken at the rate of Rs. 55000 per port, decision of the TDSAT regarding final rates was pending*

Appendix –X

(Referred to in paragraph 2.10 at page 17)

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	Short/Non-billing	Amount realized	Amount to be realised
Gujrat telecom circle						
1	Principal General Manager Telecom, Vadodra	45 leased MLLN leased lines provided to Gujarat Urja Vikas Nigam Limited	April 2007 to March 2008	17.54	0.00	17.54
		Sub-Total		**17.54**	**0.00**	**17.54**
Chennai telecom district						
1	Deputy General Manager (LD&NVS), Chennai	17 MPLS VPN circuits provided by DGM (LD&NVS) CTD	2005-08	24.90	0.00	24.90
		Sub-Total		**24.90**	**0.00**	**24.90**
Maharashtra telecom circle						
1	Chief General Manager, Maharashtra telecom circle	VPN/MLLN provided to Wockhardt Hospital Ltd.	June 2006 to March 2008	4.86	4.86	0.00
		VPN/MLLN provided to Dewan Housing and Finance Corporation Ltd.	July 2006 to March 2008	3.17	3.17	0.00
		Ethernet, Web location server to MCX Ltd.	May 2005 to March 2008	6.70	6.70	0.00
		6 VPN circuits to MCX Ltd.	August 2005 to March 2008	2.28	2.28	0.00
		5 Leased circuit to Bank of India	August 2005 to March 2008	9.14	9.14	0.00

		15 VPN circuits to National Stock Exchange	December 2005 to March 2008	9.71	1.20	8.51
		29 VPN/ leased circuits to Mahindra and Mahindra Ltd.	July 2005 to March 2008	21.12	6.41	14.71
		12 leased circuits to ICICI Bank	January 2006 to March 2008	7.68	6.99	0.69
Sub-Total				**64.66**	**40.75**	**23.91**
Tamil Nadu telecom circle						
1	Principal General Manager Telecom Coimbatore	8 MPLS VPN circuits provided by PGMTD, Coimbatore	2005-08	9.83	0.00	9.83
Sub-Total				**9.83**	**0.00**	**9.83**
Grand Total				**116.93**	**40.75**	**76.18**

Say Rs. 1.17 crore

Appendix – XI

(Referred to in paragraph 2.11 at page 17)
Loss of revenue due to improper verification of bonafides of subscribers

(Rs. in lakh)

S.No	Name of SSA	No. of subscribers	Month of		Amount outstanding
			Activation	Disconnection	
Bihar telecom circle					
1	Gaya	26	April 2005 to December 2006	November 2005 to August 2007	5.02
2	Arah	22	April 2005 to December 2005	March 2006 to July 2007	4.59
	Sub-Total	**48**			**9.61**
Jharkhand telecom circle					
1	Jameshdpur	1 (VPN category with 64 connections)	December 2005	January 2006	16.72
2	Ranchi	52	April 2005 to June 2006	November 2005 to August 2007	37.49
	Sub-Total	**53**			**54.21**
Karnataka telecom circle					
1	General Manager (Operations) Bangalore	1 (with CUG having 333 connections)	October 2005	November 2005	38.06
	Sub-Total	**1**			**38.06**
	Grand Total	**102**			**101.88**

Say Rs. 1.02 crore

Appendix – XII

(Referred to in paragraph 2.13 at page 18)

Statement showing recovery at the instance of Audit

(Rs. in lakh)

S.No	Name of SSA	Subject	Short billing/Non billing		Amount Recovered /Cancelled	Amount to be recovered
			Period	Amount		
Haryana telecom circle						
1	GMT Gurgaon	Non-billing of Direct Inward Dialing (DID) connections provided to SAS Solutions and Shubra Telecom	May 2004 to January 2007	19.09	19.09	0.00
2	GMT Gurgaon	Short realisation of rental of Synchronized Transport Module I (STM-I) from IBM	April 2003 to March 2008	36.55	36.55	0.00
		Sub-Total		**55.64**	**55.64**	**0.00**
Punjab telecom circle						
1	GMTD, Jalandhar	Non-recovery of compensation from Bharati Cellular Ltd.	April 2006	42.84	42.50	0.34
		Sub-Total		**42.84**	**42.50**	**0.34**
Rajasthan telecom circle						
1	GMTD Kota	Non-payment of rent for under ground cable by Army	April 2006 to March 2007	32.54	32.54	0.00
		Non-payment of rent by Divisional Railway Manager, Kota	December 2003 to March 2006	2.66	2.66	0.00
		Non payment of rent by RAPP Anusakthi Rawatbahta , Kota for 60 Channel UHF system (R&G)	July 1992 to September 1992	3.38	3.38	0.00
		Sub-Total		**38.58**	**38.58**	**0.00**
		Grand Total		**137.06**	**136.72**	**0.34**

Say Rs. 1.37 crore

Appendix – XIII
(Referred to in paragraph 3.2 at page 21)
Irregular extra payment of Productivity Linked Incentive

Sl. No.	Pay Scale (IDA/CDA) (Rs.)	PLI taking minimum of Pay scale (BPX multiplication factor i.e. 1.4) (Rs.)	PLI Restricted to Rs 25000 where PLI more than Rs. 25000	Maximum ceiling as per DoT guidelines (Rs.)	Excess payment to each employee (Rs.) (Col 4-5)	No. of Employee in particular Pay Scale	Excess payment of PLI to staff (Rs.)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	9850-14600 (IDA)	13790	13790	12500	1290	24998	32,247,420
2	11875-17275 (IDA)	16625	16625	12500	4125	22826	94,157,250
3	13000-18250 (IDA)	18200	18200	12500	5700	2246	12,802,200
4	14500-18700 (IDA)	20300	20300	12500	7800	5502	42,915,600
5	16000-20800 (IDA)	22400	22400	12500	9900	140	1,386,000
6	17500-22300 (IDA)	24500	24500	12500	12000	59	708,000
7	20500-26500 (IDA)	28700	25000	12500	12500	4	50,000
8	23750-28550 (IDA)	33250	25000	12500	12500	53	662,500
9	25000-30200 (IDA)	35000	25000	12500	12500	9	112,500
10	25750-30950 (IDA)	36050	25000	12500	12500	4	50,000
11	27750-31500 (IDA)	38850	25000	12500	12500	1	12,500
12	10000-15200 (CDA)	14000	14000	12500	1500	373	559,500
13	12000-16500 (CDA)	16800	16800	12500	4300	334	1,436,200
14	14300-18300 (CDA)	20020	20020	12500	7520	609	4,579,680
15	18400-22400 (CDA)	25760	25000	12500	12500	443	5,537,500
16	22400-24500 (CDA)	31360	25000	12500	12500	45	562,500
17	22400-26000 (CDA)	31360	25000	12500	12500	2	25,000
			Total				**197,804,350**

Appendix – XIV
(Referred to in paragraph 3.3 at page 22)
Statement showing excess payment of spectrum charges

(Rs. in crore)

S. No	Particulars	2005-06	2006-07	Total
1	IUC revenue of Mobile services from Basic (Expenditure of Basic)	39.29	53.47	92.76
2	IUC Expenditure of Mobile Services transferred to Basic (Revenue of Basic)	150.16	235.19	385.35
3	Decrease in AGR of Mobile services if IUC revenue/charges are included (i.e. ***2-1***)	110.87	181.72	292.59
4	Saving in spectrum charges including Microwave Access charges @ 4.25% of ***3***	4.71	7.72	**12.44**

Say Rs. 12.44 crore

Appendix – XV
(Referred to in paragraph 3.4 at page 23)

Statement showing excess payment of Service Tax

(Rs. in crore)

Name of the SSA	Cenvat credit that could have been availed		Cenvat credit availed		Excess payment of Service tax due to short availing of Cenvat credit	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Ernakulam	5.33	7.29	2.61	7.40	2.72	0.00
Kollam	2.23	2.57	1.27	2.64	0.96	0.00
Trivandrum	2.74	3.16	2.23	3.60	0.51	0.00
Trichur	2.03	2.38	1.61	2.71	0.42	0.00
Palakkad	1.67	2.06	1.60	1.96	0.07	0.10
Malappuram	3.62	3.74	3.48	3.77	0.14	0.00
Thiruvalla	1.70	1.58	1.20	1.03	0.50	0.55
Alleppey	2.86	3.01	1.62	1.86	1.24	1.15
Kottayam	2.06	2.07	1.75	2.16	0.31	0.00
Total	**24.24**	**27.86**	**17.37**	**27.13**	**6.87**	**1.80**

Say Rs. 8.67 crore

Appendix – XVI
(Referred to in paragraph 3.5 at page 24)

Details of loss due to non-recovery of instruments

(Amount in Rupees)

Sr.No	Name of the Circle/SSA	No. of cases		Depreciated cost of instruments
		Mobile/HHT	FWT	
Andhra Pradesh telecom circle				
1	GMTD, Adilabad	0	389	1939061
2	GMTD, Anantpur	0	900	3519517
3	GMTD,Eluru	0	185	478516
4	GMTD,Guntur	0	1277	4774265
5	GM (Central) Hyderabad	0	604	2643718
6	GMTD,Karimnagar	0	527	2145323
7	GMTD, Kadapa	0	683	2401820
8	GMTD, Kurnool	0	528	1778557
9	GMTD, Khammam	0	717	2810181
10	GMTD,Mahabubnagar	0	272	1068823
11	GMTD, Nalgonda	0	541	2232158
12	GMTD, Nelore	0	677	2498091
13	GMTD, Nizamabad	0	236	923376
14	GMTD, Rajahmundry	0	36	116558
15	GMTD, Sangareddy	0	102	411906
16	GMTD, Vijayawada.	0	489	1551103
17	GMTD, Visakapatnam	0	806	3018488
18	GMTD, Warangal.	0	1994	7108345
	Sub-Total	**0**	**10963**	**41419806**
Gujarat telecom circle				
1	Palanpur	0	289	787230
2	Valsad	0	190	531455
3	Godhra	108	265	1144362
4	Surendranagar	0	43	126171
5	Bhuj	0	174	465162
6	Jamnagar	0	1216	3185319
	Sub-Total	**108**	**2177**	**6239699**
Madhya Pradesh telecom circle				
1	Hoshangabad	1319	0	5170371
2	Mandsaur	294	16	1298808
3	Ratlam	599	33	2580711
4	Damoh	529	151	2665987
5	Satna	0	106	621524
6	Rewa	870	571	5553400
7	Indore	1225	27	4780051
8	Shajapur	9	147	806991
	Sub-Total	**4845**	**1051**	**23477843**
	Grant Total	**4953**	**14191**	**71137348**

Say Rs. 7.11 crore

Appendix – XVII
(Referred to in paragraph 3.7 at page 26)
Non/under utilisation of DLC systems in four SSAs

Sl No	SSA/Place	Month of Commissioning	Capacity of DLC	Utilisation 2007-08	Utilisation Percentage
Udaipur					
1	Chetak Circle	Sep-03	484	289	60
2	Anand Plaza	Sep-03	484	140	**29**
Kota					
3	Borkhera	Mar-03	960	625	65
4	Kherli Fatak	Nov-03	448	220	49
5	Bargaon	Nov-03	448	125	**28**
6	Veersawarkar	Mar-06	960	199	**21**
Jodhpur					
7	Shastri Circle	Mar-03	480	346	72
8	Ganpati Plaza	Mar-03	960	167	**17**
9	CHB	Nov-03	450	53	**12**
10	KNN	Jul-03	480	86	**18**
11	Sangaria	Apr-04	480	205	43
12	Pali	Aug-04	480	307	64
13	Maharani	Feb-06	480	112	**23**
Jaipur					
14	Sangam Tower	Oct-03	430	118	**27**
15	Ganpati Plaza	Jul-05	430	208	48
16	Raisar Plaza	Jul-05	430	229	53
17	SBBJ H.O	Jan-07	430	**0**	**0**
18	Stock Exch	Oct-03	430	149	**35**
19	Arihant Tower	Oct-03	430	132	**31**
20	Jagat Pura	Jun-04	430	206	48
21	Nehru Place	Jul-05	430	**0**	**0**
22	Sethi Colony	Mar-03	480	111	**23**
23	IOC	Feb-04	430	28	**7**
24	Jaisinghpura	Jan-04	430	121	**28**
25	Bapu Nagar	Aug-04	430	204	47
26	Mahapura	Oct-03	430	83	**19**
27	Niwaru	Mar-04	430	131	**30**
28	Militry Area	Mar-04	430	241	56
29	Gujar Ki Thari	Sep-05	430	**0**	**0**
Total			**14524**	**4835**	**33**

Appendix – XVIII
(Referred to in paragraph 3.7 at page 26)

Statement showing total cost of DLC equipment procured and installed by four SSAs

Sl. No	Name of SSA	Equipment Installed			
		Central Office Terminal	Remote Terminals /Rack for COT /NM/NS/Mtc Sets	Cost per unit (Rs)	Total cost (Rs)
1	Pr. GMTD, Jaipur	4		588038	2352152
			16	1026883	16430128
2	GMTD Kota	2		588038	1176076
			6	1026883	6161298
3	GMTD Udaipur	1		2242522	2242522
			2	943044	1886088
			2 Rack	53972	107944
			2 NM	153452	306904
			1 NS	1838051	1838051
			1 Mtc Set	4527550	4527550
4	GMTD, Jodhpur	2		2242522	4485044
			8	943044	7544352
Total		**9**	**32**		**49058109**

NM-Network Manager
NS- Network Software
Mtc Sets- Maintenance sets for 3 years

Appendix – XIX
(Referred to in paragraph 3.8 at page 27)

SSA wise irregular extra expenditure on hiring of personnel

Name of the SSA	Period	Excess personnel hired over sanctioned strength	Irregular extra expenditure (Rs.)
1	2	3	4
GMTD Ratlam	2003-07	30 to 37	7721813
GMTD Mandsaur	2004-06	164 to 172	16627516
TDE Jhabua	2003-06	32 to 58	5508002
TDM Ambikapur	2005-08	84 to 102	7187855
Total			**37045186**

Appendix – XX
(Referred to in paragraph 3.9 at page 29)
Statement showing refixing of monthly delivery schedule

1	**Original Delivery schedule as per PO: 1-11-2001 to 30-04-2002.**						
					Riot period		
	Monthly delivery schedule	1-11-2001 to 5-12-2001	6-12-2001 to 31-12-2001	1-1-2002 to 31-1-2002	1-2-2002 to 28-2-2002	1-3-2002 to 31-3-2002	1-4-2002 to 30-4-2002
	Quantity to be supplied	17%	17%	17%	14%	15%	20%

2	**55 days extension from 30-04-2002 and refixing the monthly delivery schedule from 24-06-2002 on account of riots during the period February, March and April 2002.**			
	Monthly delivery schedule	24-06-2002 to 23-07-2002	24-07-2002 to 23-08-2002	24-08-2002 to 23-09-2002
	Quantity to be supplied	14%	15%	20%
	Note: The revised delivery schedule would close on 23-09-2002			

3	**Quantity of PIJF cables supplied by the firms in October & November 2002 after the last date (23-09-2002) of revised delivery schedule.**			
	Quantity	**Amount payable at 2002-03 rates**	**Amount Paid at 2001-02 rates**	**Excess payment**
	Kms	**(Rs. in lakh)**		
	1856	569.46	794.58	225.12

Appendix – XXI
(Referred to in paragraph 3.9 at page 29)
Firm wise and SSA wise excess payment

			Name of the Firms			
			Excess payment (Rs. in lakh)			
Sl No	**Name of the SSA**	**Length of cables in kms**	**GTCL**	**RHP Cables**	**GTCL Mobile-Cum Tech**	**Total**
1	Calicut	389.66	3.70	33.23	11.33	48.26
2	Palakkad	220.036	34.32	6.30	0.00	40.62
3	Kottayam	262.394	26.72	0.00	0.00	26.72
4	Tiruvalla	219.936	19.24	7.09	0.00	26.33
5	Malappuram	161.655	3.30	0.00	11.71	15.01
6	Alappuzha	149.503	13.57	1.77	2.22	17.56
7	Tirvandrum	224.781	17.17	2.24	9.16	28.57
8	Kannur	227.883	0.00	22.06	0.00	22.06
		1855.848	118.02	72.69	34.42	**225.13**

Appendix – XXII
(Referred to in paragraph 3.13 at page 33)

Excess payment of PLI to Group A and B officers for the year 2002-03

Sl No	Circle	Name of the SSA/office	Amount of excess payment (Rs.)
1	UP (East) telecom circle	GMTD Kanpur	195340
		GMTD Sultanpur	16110
		GMTD Deoria	11440
		TDM Pratapgarh	23710
		CGMT Lucknow	212284
2	UP (West) telecom circle	GMTD Agra	61060
		TDM Rampur	26590
3	Uttranchal telecom circle	GMTD Srinagar	32670
		CGMT Dehradun	74300
4	ALTTC circle	CGM ALTTC Ghaziabad	75490
5	Karnataka telecom circle	PGM Mangalore	330940
		CGMT QA Bangalore	286540
		AO A&P BGTD	285960
		GM West BGTD	210850
		AO (Cash) East BGTD	180210
		Area Manager (South)	103890
		Area Manager (NE)	101400
		GM Karwar	115850
		GM Shimoga	151080
		GM Rural	91090
		CTSD Bangalore	8280
		RTTC Mysore	69930
		GM Central	67840
		TEDMangalore	9860
		TCD Mangalore	13250
		AO Cash (SE)	7150
		DGM TP Mangalore	49530

		DGM STSR MTTCE BGTD	82940
		Civil Division III Bangalore	33650
		GM Hubli	334090
		TCD II Bangalore	7680
		CGMT Bangalore	210030
		TCD Mysore	13250
		GM Mandya	21830
		GM Kolar	74300
		GM Bijapur	162150
		GM Chickmangalur	85220
		GM Mysore	213700
6	**Calcutta telephone district**	GM (OP & BD)	178388
		Area Manager Alipore	170360
		CAO (Bill & Wages), Planning	490800
		Area Manager Howrah	109814
		Area Manager Jadavpur	156480
		Area Manager Barrackore	115813
		Area Manager Serampore	160190
		Area Manager Central	139790
		Area Manager North	127360
		Area Manager South	120400
		CAO (Bill & Wages), Headquarters	131560
		CAO CMTS	54340
		NSCBTTC Kalyani	71280
		Executive Engineer (TED III)	31240
		Executive Engineer (TCD III)	21980
		Executive Engineer (TCDI)	11556
		Executive Engineer (TCD II)	22130
		Executive Engineer (TED I)	24240
		Executive Engineer (TCD V)	15130
7	**West Bengal telecom circle**	GM Kolkata	125640
		GM Krishnanagar	51410

		GM Berhampore	45770
		GM Raiganj	18970
		CAO (Bill & Wages)	288208
		DGM Burdwan	75510
		Executive Engineer (TCD IV)	49380
8	**Eastern Telecom Mtc Region**	Director Mtce ETR Kolkata	132990
		CGM ETR Kolkata	97700
9	**Eastern Telecom Project**	Director (Project) OFC Kolkata	42080
10	**Quality Assurance**	DGM (QA) Kolkata	58490
11	**Assam telecom circle**	GM Silchar	105910
12	**Kerala telecom circle**	Tiruvall SSA	150000
		Palakkad SSA	167000
		Trivandrum SSA	447000
		Kannur SSA	269000
		Kollam SSA	153000
		EE Civil Division Trichur	11000
		SE Civil Circle Ernakulam	8000
13	**Northern Telecom Region**	CGM NTR	93620
		DGM (Maintenance) NTR	128550
14	**Northern Telecom Project**	CGM NTP	11430
		DGM (Data Network)	12943
15	**NCES**	CGM (NCES)	42478
		DGM Satellite	18440
		DGM (TP-NCR)	22580
16	**Maharashtra telecom circle**	GMT Nashik	402290
		GMT Kalyan	388640
		GMT Raigad	111681
		GMT Ratnagiri	55716
		TDM Sidhudurg	28006
17	**Tamil Nadu telecom circle**	Coonoor SSA	63030
		DGM (TP) Chennai	60900
		Salem SSA	344497

		Cuddalore SSA	195210
		Virudhunagar SSA	169150
		Karaikudi SSA	127740
18	**Chennai telephone district**	DGM (LD) Chennai	100783
		Telecom Accounts Chennai	480771
19	**Rajasthan telecom circle**	TDE Jaisalmer	5570
		TDM Chittorgarh	20003
		GMTD Banswara	15130
		GMTD Sriganganagar	81000
		PGMTD Jaipur	172620
		TDM Bundi	14550
		GMTD Jhunjhunu	32820
		GMTD Sikar	63136
		TDM Jhalwar	24620
		GMTD Churu	25990
		GM (MP&D) CMTS Jaipur	50290
		EE BSNL,Ele Dn. Jaipur	25520
20	**Maharashtra telecom circle**	GMT Satara	128435
		GMT Ahmadnagar	313195
		GMT Aurangabad	189351
		GMT Yeotmal	55630
		PGMT Pune	150921
21	**Andhra Pradesh telecom circle**	CMTS Secunderabad	189830
		DGM, OFP Vijayawada	34550
		DGM, TP Tirupathi	19416
		Guntur	204261
		HTD Central	174028
		HTD North	220757
		Kadapa	102067
		Karimnagar	101110
		Khammam	96210
		Nizamabad	19420

		Srikakulam	61719
		STSR, Vijaywada	175230
		Visakhapatnam	196206
		Warangal	104831
22	**Gujrat telecom circle**	GMTD Godhra	65570
		GMTD Bharuch	94620
		GMTD Nadiad	146040
		PGMTD Ahmedabad	240660
		PGMTD West	139510
		PGMTD Rural	33024
		GMTD Bhuj	76860
		Telecom Ele. Dn. Bhavnagar	11670
		Telecom Civil Dn. Rajkot	26270
23	**Punjab telecom circle**	GMT Jalandhar	265420
		GMT Chandigarh	198817
		GMT Ludhiana	186535
		GMT Firozpur	165530
		CGMT Chandigarh	127600
		GMT Pathankot	108920
		GMT Cbathinda	87020
24	**Haryana telecom circle**	GMT Karnal	154550
		GMT Ambala	146640
		GMT Gurgaon	81014
		GMT Jind	54542
25	**H.P. telecom circle**	GMT Dharamshala	106070
		GMT Hamirpur	89130
		GMT Shimla	105706
		GMT Kullu	42760
Total			**17182742**

Appendix – XXIII
(Referred to in paragraph 3.14 at page 34)

Statement showing excess payment to a contractor

Year of issue	Number of copies printed	Basic rate for standards of 1924 pages (Rs.)	Basic rate for 1728 pages (Rs.) (140/1924*1728)	Rate actually paid (Rs.)	Difference (Col 5-4)	Excess payment (Rs.) (Col 2*6)
1	2	3	4	5	6	7
2003	273000	140.00	125.74	143.21	17.47	**4769310**

Year of issue	Number of copies printed	Basic rate for standards of 1924 pages (Rs.)	Basic rate for 1426 pages (Rs.) (148/1924*1426)	Rate actually paid (Rs.)	Difference (Col 5-4)	Excess payment (Rs.) (Col 2*6)
1	2	3	4	5	6	7
2005	225000	148.00	109.69	130.96	21.27	**4785750**

Total excess payment (Rs.)

2003 Main issue	4769310
2005 Main issue	4785750
	9555060

Appendix – XXIV
(Referred to in paragraph 3.16 at page 36)
Statement showing excess payment of commission to franchisees, who opted for migration to new policy

(Rs. in lakh)

Sr. No.	Name of the SSA	No. of franchisees	Date on which supplementary agreements were signed	Period of payment of irregular commission	Amount	Amount recovered	Balance to be recovered
1	Ranchi	3	March 2007	September 2006 to March 2007	48.87	20.34	28.53
2	Jameshdpur	3	June 2007	September 2006 to December 2006	7.91	0.00	7.91
3	Dhanbad	3	February-March 2007	September 2006 to November 2006	7.72	0.00	7.72
4	Dumka	1	January 2007	September 2006 to November 2006	1.53	0.00	1.53
Total		**10**			**66.03**	**20.34**	**45.69**

Say Rs. 66.03 lakh

Appendix – XXV
(Referred to in paragraph 5.2 at page 42)
Statement showing extra expenditure on bills posted

(Amount in Rupees)

Sl No.	Name of the unit	Period	Total number of bills posted	Amount paid at Rs. 5 per bill	Amount due as per BMS Rs. 3 per bill	Excess paid (Col 4-5)
1	**2**	**3**	**4**	**5**	**6**	**7**
1	GM (Navi Mumbai)	April 2004 to March 2007	1255979	6279895	3767937	2511958
2	GM (South)	April 2004 to March 2007	2949769	14748845	8849307	5899538
3	GM (Central)	April 2004 to March 2007	2756073	13780365	8268219	5512146
4	GM (East-I)	April 2004 to March 2007	2732796	13663980	8198388	5465592
5	GM (East-II)	April 2004 to March 2007	3409814	17049070	10229442	6819628
6	GM (West-I)	April 2004 to March 2007	5140451	25702255	15421353	10280902
7	GM (West-II)	April 2004 to March 2007	5554514	27772570	16663542	11109028
8	GM (West-III)	April 2004 to March 2007	6719047	33595235	20157141	13438094
Total						**61036886**

Appendix-XXVI
(Referred to in paragraph 6.4 at page 46)

Statement indicating installed capacity, targeted capacity and actual performance of major products of the ITI for 5 years (2003-2008)

2003-04					***Per cent* of production to**	
Major Products	**Unit**	**Installed Capacity**	**Targeted Capacity**	**Actual Performance**	**Installed Capacity**	**Targeted Capacity**
Switching Products	M. Lines	4.83	1.25	0.93	26	74
Transmission Products DIG.RADIO TX/RX (2/6/7/11/13 GHz)	Nos.	2500	1350	1459	58	108
Terminal Equipments Telephones	M. Nos.	1.20	1.20	0.310	26	26
NEW PRODUCTS*						
WLLINFRA	KL	–	660	-	–	-
CDMA WLL TML/FWT	KNOS	–	435	192.51	–	44
Cordect	KL	–	200	189	–	95
GSM	Rs in crore	–	330	105.38	–	32
DLC-SDH	NOS	–	425	100	–	24
MLLN	Rs in crore	–	140	127.77	–	91
SMART/SIM CARDS	Rs in crore	–	22	12.40	–	56
DWDM	NOS	–	25	-	–	-
VRLA BATTERY	Rs in crore	–	15	5.82	–	39
IT & TURN KEY PROJECTS	Rs in crore	–	200	264.55	–	132

*** As the products are new the installed capacity is not known.**

		2004-05			*Per cent of* production to	
Major Products	**Unit**	**Installed Capacity**	**Targeted Capacity**	**Actual Performance**	**Installed Capacity**	**Targeted Capacity**
Switching *						
OCB-283 Local incl I/C	KL	1000.0}	200}	229.00}		
OCB-TAX/TANDEM		}	}	}	47	100
	KC	600.0}	550}	524.18}		
Transmission						
SATCOM	Nos.	2500Nos.	10@	10.49@	-	105@
OPTIC FIBRE	Nos.	7000 Nos.	126@	25.25@	-	20@
EQUIPMENTS	Rs in crore					
DLC.SDH	Nos.	Project Stage	63	30.70	-	49
DWDM		Project Stage	32	8	-	25
Terminal Equipments						
TELEPHONES	K.Nos	1200	1260	354.09	30	28
SOLAR PANEL	Rs in crore	30000 Nos.	5.00	-	-	-
NEW PRODUCTS						
CDMA WLL TML/FWT	K Nos.	Project Stage	136	93.05	-	68
CDMA HAND SET (MOBILE)	K Nos.	Project Stage	210	25.37	-	12
DSPT	Rs in crore	Project Stage	81	-	-	-
PAYPHONE	Rs in crore	Project Stage	10	-	-	-
SMPS	Rs in crore	125.00	-	12.30	10	-
SIMCARDS	Rs in crore	4 Million	31	21.01	-	68
VRLA BATTERY	Rs in crore	25 Million AH	-	8.12	-	-
PROJECTS						
WLL-CDMA INFRA	KL	Project Stage	1310	654.50	-	50
CORDECT	Rs in crore	360 KL	36	73.35	-	204
GSM	KL	Project Stage	2625	1000.0	-	38
NGN/SOFT SWITCH/IP TAX	Rs in crore	Project Stage	131	-	-	-
MLLN	Rs in crore	Project Stage	126	0.42	-	0.33
IT PRODUCTS	Rs in crore	-	144	31.80	-	22
TURNKEY PROJECTS	Rs in crore	-	458	409.75	-	89

*During the year 2004-05, the installed capacity of switching products was reduced by 630 KL due to closure of E.C. Plant.

@ The information furnished against targeted capacity and actual performance is in Rs. in crore.

		2005-06			*Per cent* of production to	
Major Products	**Unit**	**Installed Capacity**	**Targeted Capacity**	**Actual Performance**	**Installed Capacity**	**Targeted Capacity**
Switching *						
OCB-283 CSN/Local	KL	1000 KL	110KL	119.35	12	108
OCB-TAX/TANDEM	KC	500 KC	200 KC	569.5	114	285
C-DoT Products	Rs in crore	2600 KL	10	34.68	NA	347
Transmission						
SATCOM	Rs in crore		10	5.07	NA	51
STMs	Rs in crore	3500 Sys.	62	62.35	NA	101
PCM MuX	Rs in crore			26.85	NA	NA
DWDM	Rs in crore	Project Stage	66	32.32	NA	49
Terminal Equipments						
EPBT	Rs in crore	1.2 m Nos.	17	7.16	NA	42
SPV	Rs in crore	30000 Nos.	6	0.73	NA	12
NEW PRODUCTS						
WLL-CDMA INFRA	KL	Project Stage	1000KL	1344 KL	NA	134
GSM – INFRA	Rs in crore	6 M Lines	1500	471.08	NA	31
CDMA WLL FWT	K Nos	Project Stage	580 K Nos.	277.51 K Nos	NA	33
DLC-SDH/WiFi/WiMAX	Rs in crore	10 M Nos	60	22.70	NA	38
SIMCARDS	Rs in crore	Project Stage	125	28.66	NA	23
SSTP	Rs in crore	Project Stage	133	51.13	NA	38
CORDECT	Rs in crore	350 KL	203	20.44	NA	10
Solution Business	Rs in crore	NA	295	70.01	NA	24
Turn Key Projects	Rs in crore	NA	480	373.80	NA	78

Major Products	Unit	2006-07				*Per cent of* production to	
		Installed Capacity	Targeted Capacity (Rs in crore)	Actual Performance		Installed Capacity	Targeted Capacity
				Qty	Value (Rs in crore)		
Switching OCB 283- LOCAL OCB-TAX/TANDEM C-DOT EXCHANGES	KL KC KL	1000 500 2600	40 -- 3.00	182 133.32 –	62.19 24.40 41.77	18.20 26.66	155.48 – 139.23
Transmission SATCOM Optical Fibre equipment DWDM	3500 Nos. Nos.	Project stage	5.00 187.20 46.00	- 3366 -	8.89 57.53 12.42	- 96.17 -	177.80 30.73 27
Terminal Equipments TELEPHONES SOLAR PANEL	M. Nos Nos.	1.20 30000	17.50 2.30	0.307 -	4.80 3.16	26 -	27 137
New Products SMPS CDMA-LL IFWT SMART/ SIM CARDS ADSL-DSLAM SSTP	Rs in crore Nos Rs in crore Nos. Nos.	125 Project stage 10 Project stage Project stage	18.00 252.00 31.50 126.00 42.00	- 326.51 3.060 - -	7.60 72.70 7.23 0.22 53.96	- - 31 - -	42 29 23 0.17 128
Projects WLL GSM MLLN IP TAX	KL KL Rs in crore Nos.	Project stage 6000 Project stage Project stage	231.00 2683.85 168.00 187.20	- - - -	339.07 636.41 134.06 -	- - - -	147 24 80 -

Major Products	2007-08				Per cent of production to	
	Installed Capacity	Targeted Capacity (Rs in crore)	Actual Performance		Installed Capacity	Targeted Capacity
			Qty	Value (Rs in crore)		
Switching Products						
OCB 283- LOCAL incl I/C	1000 KL	40.00	182.00 KL	62.19	18.20	155.48
OCB-TAX/TANDEM	500 KC	-	133.32 KC	24.40	26.66	-
C-DOT EXCHANGES	2600 KL	30.00		41.77	-	139.23
Transmission						
SATCOM	Project stage	5.00		8.89	-	177.80
OPTIC FIBRE EQUIPMENT	3500 Sys.	240.00	1585 Nos.	45.67	45.29	19.03
PCM MUX & MISC. Product	Project stage	15.00		17.48	-	116.53
DWDM	Project stage	47.00	259 Sys	58.13	-	123.68
Terminal Equipments						
TELEPHONES	1.2 M Nos.	17.00	87.58 K Nos	1.82	7.30	10.71
SPV/CLI PHONES	Project stage	38.00	132.36 K Nos	6.39	-	16.82
New Products						
SMPS	125	45.00	-	9.69	7.75	21.53
CDMA WLL TML/FWT	Project stage	250.00	397.42 K Nos	77.35	-	30.94
SIM CARDS	10 M Nos.	35.00	7.93 M Nos.	17.60	79.30	50.29
ADSL-DSLAM+CPE	Project stage	170.00	42 KL	7.71	-	4.54
NGN/Soft Switch/IP Tax	Project stage	14000	-	2.61	-	1.86
Projects						
WLL-CDMA INFRA	Project stage	130.00	-	62.07	-	47.75
GSM	6000 KL	2713.00	-	266.79	-	9.83
MLLN	Project stage	150.00	-	125.88	-	83.92
GPON/Misc.	Project stage	5.00	-	0.42	-	8.40
BROAD BAND CoDECT	Project stage	80.00	-	-	-	0.00
WIMAX	Project stage	45.00	-	-	-	0.00
WIMAX CPE	Project stage	15.00	-	-	-	0.00
Turnkey Projects/Solution	Rs. crore	560.00	-	373.14	-	66.63
Total (including ED)	Rs. crore	4770.00		1210.00		25.37

Appendix – XXVII
(Referred to in paragraph 10 at page 59)
Position of outstanding ATNs in respect of paras pertaining to Bharat Sanchar Nigam Limited and MahanagarTelephone Nigam Limited

Sl. No.	Audit Report (Number and year)	Paragraph No.	Subject
1.	Report No. 3 of 1997 (Commercial) for the year ended 31 March 1996	6.3.2	Printing of Telephone Directories (MTNL)
2.	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)
3.	Report No. 3 of 1999 (Commercial) for the year ended 31 March 1998	5.3	Non-recovery of unadjusted amount of purchase advance (MTNL)
4.	Report No. 6 of 1999 for the year ended 31 March 1998	15 (15.1to15.8)	Procurement of C-DoT MAX-L exchanges (DoT/BSNL)
5.	Report No. 6 of 2000 for the year ended 31 March 1999	16 (16.5.2.2, 16.5.2.5, 16.6.1, 16.7.2 & 16.7.3)	Material Management in Telecom Stores and Circles (DoT/BSNL)
6.		17 (17.5.4, 17.5.5, 17.7.1.1, 17.7.1.2, 17.8.1, 17.10.1, 17.10.2, 17.10.3 & 17.10.4)	Rural Telecommunication Network (DoT/BSNL)
7.	Report No. 6 of 2001 for the year ended 31 March 2000	14 (14.6.1.1)	Computerised Telephone Revenue Billing and Accounting System (DoT/ BSNL)
8.		15	Non-recovery of dues from MTNL Mumbai/Delhi (DoT/BSNL)
9.		41	Irregular procurement of stores (DoT/ BSNL)
10.	Report No. 3 of 2002 for the year ended 31 March 2001	6.1.7	Failure to realise Rs. 81.31 lakh due to non-receipt of advice notes (BSNL).
11.		6.3.4	Loss due to delay in disconnection of Data Service (MTNL)
12.	Report No. 6 of 2002 for the year ended 31 March 2001	7 (7.1.13, 7.2.7, 7.2.11)	Non/Short recovery of revenue (DoT/ BSNL)
13.		11 (11.10.3)	Management of Telecom Stores (DoT/ BSNL)
14.		12 (12.6, 12.7, 12.8.3.3, 12.8.6.2)	Working of the Telecom Civil Divisions (DoT/ BSNL)
15.		16	Excess payment of service charges (DoT/ BSNL)
16.	Report No. 5 of 2003 (Commercial) for the year ended 31 March 2002	1.7	Productivity (BSNL)
17.		2	Non-recovery of dues from pay phone operators due to deficient internal control system (BSNL)
18.		4	Blockage of Government revenue (BSNL)

Sl. No.	Audit Report (Number and year)	Paragraph No.	Subject
19.		14 (14.1.5)	Non/short recovery of revenue (BSNL)
20.		16 (16.7.1, 16.7.2, 16.7.5, 16.8.1)	Village Public Telephones (BSNL)
21.		20	Excess payment to supplier (BSNL)
22.		27	Wasteful expenditure on procurement of defective power plants (BSNL)
23.		30	Lack of proper planning and resultant idling of 6 Giga Hertz equipment (BSNL)
24.		31 [31(VII)4]	Infructuous expenditure of Rs 2.17 crore on payment of minimum demand charges and low power factor surcharge (BSNL)
25.		42	Excess payment of Rs. 14.97 crore on procurement of new technology digital local exchange equipment (BSNL)
26.		50	Function, organisation, traffic, revenue receipts and financial results (MTNL)
27.		56 (56.1 to 56.9.5)	Review on Telephone Revenue Billing in MTNL.
28.		61 (61.1)	Material Management in MTNL
29.	Report No. 5 of 2004 for the year ended 31 March 2003	2.4 [2.4(1)5]	Short recovery of infrastructure charges of Rs. 91.44 lakh (BSNL)
30.		2.9 (2.9.1 to 2.9.5.3)	Non/short recovery of revenue (BSNL)
31.		2.10	Recovery at the instance of Audit (BSNL)
32.		3 (3.4.3, 3.8.2	Working of Telecom Maintenance wing of BSNL
33.		7.1 (7.4 to 7.11.2 & 7.13)	Cellular Mobile Telephone Service in Mahanagar Telephone Nigam Limited
34.		8.1	Imprudent investment decision to invest surplus funds of Rs. 250 crore (MTNL)
35.		8.2	Avoidable loss of interest of Rs. 55.44 crore (MTNL)
36.	Report No. 5 of 2005 for the year ended 31 March 2004	1 (1.3)	Introduction, Organisational set-up, Investment and Return (BSNL)
37.		2.4 [2.4(III)26]	Non-billing due to non-receipt of advice notes (BSNL)
38.		2.6	Non-billing of penal interest (BSNL)
39.		2.9	Non/Short billing of rentals in r/o interconnection facilities to defence (BSNL)
40.		2.10	Short billing of revenue (BSNL)
41.		2.13 (2.13.1 to 2.13.8)	Non-recovery of compensation for the unexpired period of guarantee (BSNL)
42.		3 (3.1 to 3.9	IT audit of DotSoft package of BSNL
43.		4.1	Excess payment of customs duty (BSNL)
44.		4.2	Negligence leading to loss in fire (BSNL)
45.		4.4	Non-recovery of compensation for damage to underground cable (BSNL)
46.		6 (6.1 to 6.14)	Planning, Procurement and Utilisation of WLL system in MTNL
47.		7.2	Avoidable excess expenditure on setting up of Customer Service Centres (MTNL)

Sl. No.	Audit Report (Number and year)	Paragraph No.	Subject
48.	Report No. 9 of 2006 (PA, Telecom) for the year ended 31 March 2005	2 (2.9.1.1, 2.9.2, 2.10.2, 2.10.3, 2.10.4, 2.10.5, 2.12.3.2, 2.12.3.3, 2.12.4, 2.13.1.1, 2.13.2, 2.15.2, 2.15.4, , 2.16.2, 2.18.2)	Performance audit of Human Resources Management in BSNL
49.	Report No. 13 of 2006 (TA, Telecom) for the year ended 31 March 2005	1 (1.4.2 & 1.7)	Organizational set up and financial management. (BSNL)
50.		2.1	Non-realization of interconnection charges from M/S Data Access (India) Limited. (BSNL)
51.		2.3 {2.3(II)1-6, 2.3(II)8 & 10, 2.3 (II)14-2.3(II)26}	Non-realisation of interest on delayed payments. (BSNL)
52.		2.4 {2.4(III)1, 3,6 & 7}	Continuation of telephone facilities despite non-payments of dues (BSNL).
53.		2.8 {2.8(VI) 6	Short billing of rentals for leased circuits (BSNL)
54.		2.9 {2.9(VII)1 to 2.9(VII)9}	Non billing of interconnect licence fees (BSNL)
55.		2.11 {2.11(VIII)1 to 2.11(VIII)3}	Loss of revenue due to delayed /non implementation of revised pulse rates (BSNL)
56.		2.12 {2.12(IX)1,4 & 5}	Non realization of infrastructure sharing charges. (BSNL)
57.		2.13 {2.13 case –I to 2.13 case II}	Loss of potential revenue due to inordinate delay in providing leased circuits. (BSNL)
58.		2.15 [2.15 (XI)2,3]	Short billing of installation charges and rentals (BSNL).
59.		3 (3.1 to 3.9.7)	IT audit of Chennai Telephone billing system of BSNL
60.		4.8	Idle investment on purchase of land and construction of buildings. (BSNL)
61.		4.11	Idle investment on construction of staff quarters. (BSNL)
62.		4.14	Idling of Digital Loop Carrier system. (BSNL)
63.		4.16	Wasteful expenditure on Idle stores. (BSNL)
64.		4.18	Unfruitful expenditure on procurement of power plants. (BSNL)
65.		4.19	Imprudent investment (BSNL).
66.		5 (5.5 to 5.7)	Introduction (MTNL)
67.		6.2	Blocking of capital on purchase of land.(MTNL)
68.		6.3	Infructuous expenditure on leasing of land.(MTNL)

Sl. No.	Audit Report (Number and year)	Paragraph No.	Subject
69.	Report No. 10 of 2007 (PA, Telecom) for the year ended 31 March 2006	1 (1.9.2 , 1.10.1, 1.11.3, 1.11.6, 1.11.8, 1.12.4, 1.12.4.1, 1.12.4.3, 1.12.5, 1.12.7, 1.13.3 & 1.13.4)	Performance Audit of Cellular Mobile Telephone Services in BSNL
70.		3 (3.1 to 3.16)	Performance Audit of Billing and customer care system in MTNL
71.	Report No. 12 of 2007 (TA, Telecom) for the year ended 31 March 2006	1 (1.6)	Organizational set up and financial management. (BSNL)
72.		2.1 [Case 1, 2.1(I)1 to 2.1(I)5]	Short charging of rentals (BSNL)
73.		2.2 [2.2(II)1 to 2.2(II)23]	Continuation of telephone facilities despite non payment of dues (BSNL)
74.		2.3 [2.3(III)1 to 2.3(III)16]	Non-billing due to non receipt of advice notes (BSNL)
75.		2.4	Loss of minimum guaranteed revenue (BSNL)
76.		2.6	Non-realisation of charges from Reliance Infocom Ltd for unauthorised routing of calls (BSNL)
77.		2.7 [2.7(V)15 to 2.7(V)39, 50 & 2.7(VI)1	Non-realization of interconnection usage charges and interest thereon (BSNL)
78.		2.8 [2.8(VII)8 to 2.8(VII)11]	Non-billing of infrastructure charges for passive links (BSNL)
79.		2.9 [2.9(VIII)1 to 2.9(VIII)6]	Non-billing of interconnect license fees (BSNL)
80.		2.11	Loss of revenue due to non-collection of interconnection usage charges (BSNL)
81.		2.13	Short billing of port charges in respect of private operators (BSNL)
82.		2.14	Short billing of interconnect usage charges (BSNL)
83.		2.16	Short billing of rentals as per resources utilized (BSNL)
84.		2.17 [2.17(XII)1 to 2.17(XII)4]	Loss of potential revenue due to delays in providing leased circuits (BSNL)
85.		2.18 [Case I, 2.18(XIII)1 to 11)	Loss of revenue due to delayed disconnection of leased circuits (BSNL)
86.		2.20 [2.20(XVI)8)	Failure to recover compensation for damage to underground cables (BSNL)
87.		2.21 [2.21(XV)1 to 2.21(XV)22]	Recovery at the instance of Audit (BSNL)
88.		3.1	Excess payment of rent on international internet bandwidth (BSNL)

Sl. No.	Audit Report (Number and year)	Paragraph No.	Subject
89.		3.3 [3.3(1) to 3.3(6)]	Idling of stock due to injudicious procurement (BSNL)
90.		3.7	Failure to optimally utilize the Cable Record Purification system (BSNL)
91.		3.9 [3.9(XXI)1 to 3.9(XXI)3]	Infructuous expenditure on payment of electricity charges (BSNL)
92.		3.11	Avoidable expenditure on obsolete stores (BSNL)
93.		4.1	Loss of revenue due to delay in disconnections for non-payment (MTNL)
94.		4.6 [4.6(XXVI)1 & 4.6(XXVI)2]	Failure to recover compensation for damage to underground cables (MTNL)
95.		4.7	Loss due to retention of land without utilization (MTNL)
96.		4.8	Excess payment of sewerage tax (MTNL)
97.		4.9	Excess payment of electricity duty (MTNL)
98.		6	Follow up on Audit Reports (BSNL/MTNL)
99.	Report No. 12 of 2008 (TA, Telecom) for the year ended 31 March 2007	1 (1.3, 1.6 & 1.7)	Organizational set up and financial management. (BSNL)
100.		2.1 (2.1.1(I)4 to, 2.1.1(VII)8)	Non/short billing of Infrastructure Sharing Charges from private service providers (BSNL)
101.		2.2 2.2.(X) 1 to 19	Loss of Subsidy (BSNL)
102.		2.3 2.3.(XI) 1 to 11	Continuation of telephone facilities despite non-payment of dues (BSNL)
103.		2.4	Continuous generation of unaddressed bills led to loss of revenue (BSNL)
104.		2.5 2.5.(XII) 1to 13	Non-recovery of compensation for damage to underground cables (BSNL)
105.		2.7 2.7.(XIV) 1to 8	Non/short realization of penal interest on delayed remittances of amount of telephone bills by banks (BSNL)
106.		2.8 2.8.(XV) 1 to 6	Avoidable accumulation of unadjusted interest on security deposit (BSNL)
107.		3.1 3.1.1 to 3.1.4	Injudicious procurement of stores for landline telephone service (BSNL)
108.		3.2	Injudicious procurement of Trunk Automatic exchange (BSNL)
109.		3.3	Injudicious expansion of mass calling intelligent network (BSNL)
110.		3.4	Blocking of funds due to non-commissioning of optical fibre routes (BSNL)
111.		3.6	Injudicious procurement of higher capacity optical fibre cables (BSNL)
112.		3.10	Irregular extra-expenditure on hiring of personnel (BSNL)
113.		3.11	Avoidable payment of higher electricity charges. (BSNL)
114.		3.12	Avoidable extra expenditure on procurement of jointing kits (BSNL)

Sl. No.	Audit Report (Number and year)	Paragraph No.	Subject
115.		3.13	Loss due to undue favour to a franchisee (BSNL)
116.		3.14	Loss due to non availing of CENVAT credit. (BSNL)
117.		4 (4.1-4.7)	Organisation Set up and Financial Management of MTNL
118.		5.1	Injudicious procurement of WLL equipment (MTNL)
119.		5.2	Inadequate planning resulted in infructuous expenditure (MTNL)
120.		5.3	Non/underutilization of Digital Loop Carrier system (MTNL)
121.		5.4	Avoidable payment of penal interest (MTNL)
122.		5.5	Injudicious expansion of exchanges (MTNL)
123.		5.6	Avoidable excess holding of cables (MTNL)
124.		5.7	Continuation of telephone facility despite non payment of dues (MTNL)
125.		5.8	Accumulation of outstanding towards cellular mobile revenue (MTNL)
126.		11	Follow Up on Audit Reports (MTNL)

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