

AUDITORS' REPORT

TO THE MEMBERS OF BHARAT SANCHAR NIGAM LIMITED

A. We have audited the attached Balance Sheet of Bharat Sanchar Nigam Limited as at 31st March, 2008, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

B. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

Our report has taken into consideration the audited accounts and the report of Branch auditors of 48 units (circles, districts, regions, training institutions, stores, factories) appointed by the Comptroller and Auditor - General of India and noted by the Board of Directors of the company.

C. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us and reports of other auditors, we set out in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 'C' above:

D. Attention is invited to the facts stated in the following paragraphs:

1. Assets taken over from Department of Telecommunications (D.O.T) and D.O.T balances

a) As referred to in Note no. 2 in Schedule U, the process of taking over the assets and liabilities from Department of Telecommunications (D.O.T) is still in progress and the fact that the value of net assets, identified subsequent to 01.10.2000, has been adjusted to Capital Reserves.

- b) As referred to in Note No. 5.4 of Schedule – U, the title to the various immovable properties taken over from D.O.T. are yet to be transferred in the name of the Company.
- c) As referred to in note no. 5.1 of Schedule – U, the fact that the method of valuation adopted for assets taken over is also the basis for treating them as original cost for the purpose of providing depreciation.

2. Unsecured Loan

- a) As referred to in Schedule - C and in Note No. 3 of Schedule U- the closing balance of 15 years Government of India loan including the interest accrued and due thereon is less by Rs. 13,170 lacs due to non provision of disputed penal interest, prepayment charges etc. Accordingly, the principal loan and interest outstanding as shown in the financial statement differs from the balance shown as outstanding in the books of the Central Government.
- b) As referred to in Note Nos. 1 & 2 of Schedule C, no provision for accrued interest on Deferred Payment Liabilities have made in the accounts.

3. Fixed Assets and Capital Work-in-Progress

- a) As stated in Note No. 1 on Schedule – D, title deeds are yet to be executed in respect of land purchased/ acquired on leasehold/ freehold in certain cases through various authorities.
- b) As stated in Note No. 2 on Schedule – D, leasehold lands which have been identified as such have only been amortized.
- c) As referred to in Note No. 5.2 on Schedule - U, about the expiry/ non renewal of lease period of the leasehold lands on which buildings have been constructed and the fact that no provision has been made for the 'surrender value/ written value of the building' in the expectation of ultimate renewal of the leases.
- d) As referred to in Note No. 5.5 on Schedule – U, certain assets still shown under 'Capital-work-in-progress' though completed and put to use, has not been capitalized and depreciation provided on them.
- e) As referred to in Note No. 5.7 on Schedule – U, there are differences in CWIP between subsidiary ledger and financial ledger.

4. Depreciation

As referred to in Accounting Policy 4 in 'Schedule T', depreciation on factory buildings & administrative buildings have been provided at the rate applicable to the normal buildings.

5. Current Assets, Loans and Advances and Current Liabilities

- a) As referred to in Note No. 6.1 of Schedule-U, the fact that no adjustment has been made for difference of Rs. 6312 lacs (net) shortage in physical stock as compared with book stock pending verification of such shortages.
- b) As referred to in Note Nos. 7.1 & 8.2 of Schedule – U, the fact that no adjustment has been made for the difference of Rs. 13887 lacs between the General Ledger and Subsidiary Ledger of Sundry Debtors and the difference between similar sets of accounts in respect of loans and advances and other current assets (amount unascertained) pending reconciliation.
- c) As referred to in Note No. 10.1 on Schedule U, Bank Reconciliation Statements have not been prepared (in a few units of certain circles) in respect of some bank accounts.
- d) As stated in Note Nos. 10.2 & 10.3 of Schedule – U, Cheques and TT's deposited with the Bank for Rs. 4,012 lacs but not credited by the banks and unlinked debit & credit items appearing in Bank Reconciliation for Rs. 907 lacs and Rs. 2,160 lacs, respectively are still in the process of reconciliation.
- e) As referred to in Note No. 10.4 of Schedule-U, the fact that Bank Balance includes cheques in hand but not deposited instead showing the same separately under the head Cash and Bank balances.
- f) The fact that the balances due to and due from DOT, DOP, M.T.N.L., C-DOT and Other Government Departments / Companies on current account are subject to confirmation and reconciliation.

6. Inter/ Intra Circle Remittance Account

As stated in Note No. 14 in Schedule U, regarding

- a) the non reconciliation of various differences between subsidiary records and the corresponding control accounts, and
- b) the non adjustment of old pending items balances appearing in inter/intra circles remittance account ;
the possible cumulative effect of adjustment necessitated by such reconciliation on income, expenditure, assets and liabilities are not ascertainable.

7. Others

- a) As stated in Note No. 25 (d) in Schedule U, the company has not identified units covered under Micro, Small and Medium Enterprises Development Act, 2006 in respect of 47 Circles with whom they are dealing and hence disclosure as required under Schedule VI and M.S.M.E.D Act, 2006 respectively, could not be disclosed/accounted for in respect of such Circles.
- b) As stated in Note No. 26 (f) and Note No. 27 in Schedule U, in certain units, contingent liabilities and estimated amount of contracts remaining to be executed have not been ascertained.
- c) The fact that certain assumptions as stated in Note Nos. (1) & (2) in Cash Flow Statement have been made for the purpose of preparation of 'Cash Flow Statement'.
- d) The fact that entire expenses of Corporate office have been included under basic segment instead of keeping the same as unallocable expenses as required by Accounting Standard - 17.

8. License Fee, Spectrum Charges, Inter Connect Usage Charges

- a) The fact that the licence fee has been accrued based on Note No. 13 of Schedule U and the interconnect revenue between BSNL & MTNL is based on the Note No. 12.2 of Schedule – U, and the accounting for the revenues from D.O.T has been made as stated in the accounting policy 2(c) of Schedule 'T'.
- b) As referred to in Note No. 12.3 on Schedule U, no provision has been made for telecom traffic charges payable and receivable to and from Pakistan Telecom Company Limited.

9. Revenue

- a) Income from recharge coupon, prepaid calling cards, ITC cards, Sancharnet Cards and stock of recharge coupons and prepaid calling cards, are subject to reconciliation in six circles.
- b) The exchange wise reconciliation of outgoing metered calls and calls billed has not been done by the company for 15 circles as reported by the branch auditors.
- b) The booking of rental income on disconnected telephones as stated in Note No. 12.5 of Schedule – U, quantum not ascertained.

d) **As referred in Note No. 12.6 of Schedule-U relating to restoring of prepaid telephone revenue wrongly credited in Sundry Debtors account.**

E. We report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;

(c) We have received reports on accounts of branch offices audited by other auditors and the same has been dealt with by us in our report.

(d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts and with the audited returns from branches.

(e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 **except for :**

- **Accounting Standard - 2 for valuation of inventory have not been followed in 20 Circle as reported by branch auditors and in some of the circles due to pending identification of non-moving, slow moving and obsolete inventories; their valuation has not been done on realizable value.**
- **Accounting Standard - 10 for charging of overhead on proportionate basis to the Capital Work-in-Progress (Note No. 5.6 of Schedule - U) instead of on actual basis and non capitalization of Industrial Dearness Allowance (IDA) merged in basic as dearness pay (DP) in respect of employees who were looking after project work (amount unascertained).**
- **Accounting Standard - 15 regarding provision for 'leave encashment' and 'other retirement benefits' in respect of absorbed employees as well as directly recruited employees has been made on estimated basis and the 'liability on account of post retirement medical benefits' of employees including retired employees is made on actual basis in respect of bills received till the cut off date instead of on the basis of actuarial valuation.**

- **Accounting Standard - 28 regarding non-identification of impairment loss and provision for obsolescence thereof, if any, in absence of carrying out any Technoeconomic assessment as on 31st March 2008.**

- (f) On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

- (g) ***Subject to items 1 to 9 contained in D above, to which attention have been drawn and the consequential effect of adjustment on the value of assets, liabilities, the quantum of income and expenditure and their effect on the profit for the year (which are unascertainable),*** in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and Notes thereon give the information required by the Companies Act, 1956, **except for the non disclosure of the matters referred to in Note No. 25 (a) of Schedule 'U' and information relating thereto** in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants

sd/ -
(M.P. Thakur)
Partner
M.No. 052473

Place: New Delhi
Date: 25-07-2008

The Annexure referred to in paragraph C of the Main Auditors' Report (Bharat Sanchar Nigam Limited) of even date :

Fixed Assets

- 4(i)(a)] The records maintained by the Company in respect of its fixed assets **are not considered to be proper in so far as records of 31 Circles do not give full particulars including quantitative details and situation of fixed assets. The fixed asset register has not been updated in 8 Circles as reported by the Branch Auditors.**
- 4(i)(b) It has been represented that fixed assets have been **physically verified by the Management** at the year-end **except in 10 Circles**. Branch Auditors have stated that no material discrepancies have been noticed between book records and physical verification. **The branch auditors of 26 Circles have, however, reported that no documentary evidence supporting such physical verification carried out, were made available to them, and hence they are unable to express any opinion on the material discrepancies noticed on such verification.**
- 4(i)(c) The company has not disposed off any substantial part of its fixed assets during the year.

Inventory

- 4(ii)(a) It has been reported by the Branch Auditors that inventory has been **physically verified** by the Management during the year **except in 7 Circles**.
- 4(ii)(b) **Based upon observations made by Branch Auditors of 27 Circles, documentation of the physical verification process followed by the company is inadequate, as such we are unable to comment on the reasonableness and adequacy of procedure of physical verification of inventories followed by the Management.**
- 4(ii)(c) On the basis of examination of inventory records, as reported by most of the branch auditors, **the Company is not maintaining proper records of inventory at many Circles. Consequently the Branch Auditor were unable to express any opinion as to whether the discrepancies noticed, are material or not. However, the discrepancies noticed were properly dealt with in the books.**

Loans and Advances

- 4 (iii)(a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4 (iii)(b)
to

4 (iii)(d) In view of 4 (iii) (a) above, Clause 4(iii) (b) to 4(iii) (d) of the CARO are not applicable.

4 (iii)(e) The company has not taken any loans, secured or unsecured from companies, firm or other parties covered in the register maintained under Section 301 of the Act.

4 (iii)(f)
&

4 (iii)(g) In view of 4(iii) (e), these clauses are not applicable.

Internal Control

4(iv) In our opinion and according to the information and explanations given by the company, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services, **however, on the basis of the Branch Auditors reports, we are of the opinion that the internal control procedure for material management, capitalization of fixed assets, reconciliation between subsidiary and general ledger in respect of Debtors, Creditors and Loans and Advances and obtaining of confirmation of balances, timely bank reconciliation, custody and accounting of prepaid coupons, availment of CENVAT Credit & Service Tax, compliance of the Income Tax Act for obtaining of PAN Numbers of all contractors & other deductees, need to be strengthened to make them commensurate with the size and nature of the business of the Company.**

Though there have been improvements, some of the branch auditors have reported that there is continuing failure to correct major weakness.

4(v)(a) There are no transactions that need to be entered in the register maintained in pursuance of Section 301 of the Act.

4(v)(b) In view of 4(v) (a) above, Clause 4(v) (b) of the CARO is not applicable.

4 (vi) The Company has not accepted any deposits from the Public.

4(vii) On the basis of information and explanation provided to us and reports of branch auditors, the Company's **present internal audit system needs to be strengthened by increasing the scope of the audit of billing packages, revenue assurance mechanism for CMTS and inter-operator billing system (IOBAS), review of details and documents for legal cases. There is room for further improvement in the frequency of audit to bring about the desired improvement.**

- 4(viii) The company has maintained the cost records as prescribed by the Central Government under clause (d) of sub section (1) of section 209 of the Companies Act, 1956 for the financial year 2006-07 **except for 2 circles ; however for the financial year 2007-08, records for 28 Circles are yet to be maintained.**
- 4(ix)(a) The Company **except in 9 circles** as reported by the Branch Auditors, is generally regular in depositing undisputed statutory dues (including Provident Fund, Income Tax Sales Tax, Wealth Tax, Property Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues) with the appropriate authorities.
- The undisputed statutory dues outstanding as at March 31, 2008 for a period of more than six months from the date, they became payable amounts to Rs. 759.56 lacs for 9 Circles, (the nature wise dues are referred in Statement - I). Branch Auditors of 5 circles reported that the dues outstanding for more than six months have not been ascertained by the Circle.**
- 4(ix)(b) **The amount of disputed dues in respect of Provident Fund, Sales Tax, Entry Tax, Property Tax, Income Tax, Wealth Tax, Service Tax, Excise Duty, Cess and other Statutory dues which have not been deposited till 31.3.2008 amounted to Rs. 4,15,254.27 lacs. The Statement - II gives the nature of dues with the amount and the forum where disputes are pending.**
- 4(x) The Company has no accumulated losses at the end of the financial year. It has not incurred cash losses neither during the financial year nor in the immediately preceding financial year.
- 4 (xi) The Company has neither taken any loans from financial institutions or bank nor issued debentures and hence this clause is not applicable.
- 4 (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order is not applicable to the company.
- 4(xiii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ societies accordingly, the provisions of clause 4 (xiii) (a) to (d) of the Order, are not applicable to the company.
- 4(xiv) In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, this clause is not applicable.

- 4 (xv) The Company has not given any guarantee for loans taken by Others from Banks or Financial Institutions during the year, hence this clause is not applicable.
- 4 (xvi) The Company has not obtained any term loan, hence this clause is not applicable.
- 4 (xvii) The Company has not raised any fund on short term basis.
- 4(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- 4(xix) The company has not issued any debentures since the inception.
- 4(xx) The Company has not raised any money by public issue during the year.
- 4(xxi) ***Frauds on the company amounting to Rs. 213.96 lacs have been brought to the notice of the company. The Statement - III gives the nature of fraud, the amount recovered, the expected recovery thereof and the amount defrauded.***

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants

sd /-
(M.P. Thakur)
Partner
M.No. 052473

Place: New Delhi
Date: 25-07-2008

Statement - I

Bharat Sanchar Nigam Limited
Audit Report under CARO (Clause - 4(ix)(a)) for the F.Y. 2007-08

Outstanding Statutory Dues as on 31.03.08 for a period of more than 6 months from the date they become payable

S.NO.	CIRCLE	SSA's	NAME OF STATUTE	NATURE OF DUES	AMOUNT
1	Northern Telecom Region- New Delhi	DGM(M), Ambala	Employees Provident Fund Act	Employees Contribution to Provident Fund	29,963.00
		DGM(M), Delhi	Employees Provident Fund Act	Employees Contribution to Provident Fund	3,968.00
		DGM(M), Lucknow	-	VAT	2,620.00
	TOTAL				36,551.00
2	Chennai Telephones	-	Finance Act, 1994	Service Tax	54,207.00
3	Maharashtra Telecom	-	Sales Tax Act	Sales Tax	456,387.00
4	Tamil Nadu Telecom	-	-	VAT- Chennai	2,410,000.00
5	Andhra Pradesh Telecom	-	Employees Provident Fund Act	EPF	496,000.00
6	Calcutta Telephones	-	Employees Provident Fund Act	Pension Contribution	3,583,000.00
		-	Employees Provident Fund Act	EPF	815,000.00
	TOTAL				4,398,000.00
7	Telecom Stores- Calcutta	-	-	Sales Tax	4,440.00
		-	-	Professional tax	5,673.00
	TOTAL				10,113.00
8	West Bengal Telecom	-	-	Sales Tax	76,000.00
		-	-	TDS	75,000.00
TOTAL				151,000.00	
9	Corporate Office	-	-	Property Tax	67,944,000.00
TOTAL					75,956,258.00

Bharat Sanchar Nigam Limited
Audit Report under CARO (Clause 4(ix)(b)) for the financial year 2007-08

Statement -II

Statutory Dues not deposited on account of dispute as on 31.03.2008

S.NO.	CIRCLE	SSA's	NAME OF STATUTE	NATURE OF DUES	AMOUNT	PERIOD TO WHICH THE AMOUNT RELATES	FORUM WHERE DISPUTE IS PENDING
1	North Eastern Region - 1	-	Finance Act, 1994	Service Tax	3,869,000.00	2004-05 to 2007-08	Central Excise Authority, Shillong
	Total				3,869,000.00		
2	Maharashtra & Telecom	Aurangabad AO Finance	Central Excise Act, 1944	Interest	2,217,818.00	2005-06	CESTAT, MUMBAI
			Income Tax Act, 1961	TDS	56,855,093.00	1999-2007	Additional Commissioner of Income Tax(TDS)
		Kolhapur Ratnagiri Chandrapur	Octroi	Bank Gurantee- Property Tax	14,595,547.00	2006-08	Aurangabad Municipal Corporation
			Sales Tax	Purchase Tax	4,937,341.00	2007-08	Sales Tax Appellate Tribunal
			Finance Act, 1994	Service Tax	21,946,018.00	1998-99 TO 2001	CESTAT, MUMBAI
			Finance Act, 1994	Interest on service tax	82,399,674.00	2001-02	CESTAT, MUMBAI
			Finance Act, 1994	Interest on service tax	61,289.00	2002-03	CESTAT, MUMBAI
			Finance Act, 1994	Interest on service tax	796,557.00	1998-99	CESTAT, MUMBAI
			Finance Act, 1994	Interest on service tax	3,837,281.00	2002	CENTRAL EXCISE COMMISSIONER
			Central Excise Act, 1944	Interest on service tax	178,153.00	2005	CESTAT, MUMBAI
			Finance Act, 1994	Service Tax	26,858,587.00	1998-99	CESTAT, West Zonal Branch , Mumbai
			Finance Act, 1994	Interest on service tax	926,048.00	2000-01	CBEC
		Sangli	Finance Act, 1994	Service Tax	33,784.00	2002-03	Sangli Division
			Finance Act, 1994	Service Tax	29,775.00	2004-05	Sangli Division
			Finance Act, 1994	Service Tax	7,103,000.00	2004-05	Commissioner(Adj) Service Tax Dept., Belapur, Navi Mumbai
			Income Tax Act, 1961	TDS	6,354,000.00	2002-03	Income Tax Officer(TDS), Panvel
			Income Tax Act, 1961	TDS	7,573,000.00	2003-04	Income Tax Officer(TDS), Panvel
			Income Tax Act, 1961	TDS	8,268,000.00	2004-05	Income Tax Officer(TDS), Panvel
			Income Tax Act, 1961	TDS	9,253,000.00	2005-06	Income Tax Officer(TDS), Panvel
			Income Tax Act, 1961	TDS	7,927,000.00	2006-07	Income Tax Officer(TDS), Panvel
Total				262,150,965.00			
3	Western Telecom Project-Mumbai	-	MP Sales Tax Act, 1994	Sales Tax & Entry Tax	7,209,627.00	2000 to 2005	Sales Tax Dept. - Bhopal (MP)
Total				7,209,627.00			
4	Uttranchal Telecom	-	Service Tax Rules	Service Tax	249,000.00	2003-04	Commissioner (Appeals)
			Service Tax Rules	Service Tax	83,000.00	2003-04	Appellate Tribunal
			Service Tax Rules	Service Tax	145,000.00	2004-05	CESTAT, New Delhi
			Service Tax Rules	Service Tax	1,466,000.00	2006-07	Jt. Commissioner, Central Excise, Meerut-II
			Uttranchal Trade tax Act	Sales Tax	5,000,000.00	2003-04	Jt. Commissioner, Sales Tax, Haldwani
Total				6,943,000.00			
5	Tamil Nadu Telecom	CBT KMB SLM Electrical DN II KKD DPI DPI NGC NGC CDL SLM SLM SLM SLM	Finance Act, 1994	Service Tax	1,576,000.00	2007-08	CESTAT, SEZ, Chennai
			Finance Act, 1994	Service Tax	270,480.00	2004-05	CESTAT, SEZ, Chennai
			Finance Act, 1994	Service Tax	14,961,815.00	2006-07	CESTAT, SEZ, Chennai
			Sales Tax Act	Sales Tax	3,070,579.00	2000-01	High Court Chennai
			Finance Act, 1994	Service Tax & Penalty	381,950.00	2000-2002 filed during 2004	CESTAT, SEZ, Chennai
			Central Excise Act, 1944	Excise Duty	348,738.00	2005-06	CCE (Appeals), Salem
			Central Excise Act, 1944	Excise Duty	1,092,644.00	2004-05 to 2005-06	CCE (Appeals), Salem
			Finance Act, 1994	Service Tax	1,414,672.00	2004-05	CCE (Appeals), Tirunelveli
			Finance Act, 1994	Service Tax	9,120,540.00	2001-06	CCE (Appeals), Tirunelveli
			Finance Act, 1994	Service Tax	2,113,022.00	2007-08	CCE (Appeals), Chennai
			Finance Act, 1994	Service Tax	29,787.00	2004-05	CCE (Appeals), Salem
			Finance Act, 1994	Service Tax	22,301.00	2005-06	Dy. Commissioner
			Finance Act, 1994	Service Tax	708,950.00	2005-06	Additional Commissioner
			Finance Act, 1994	Service Tax	1,889.00	2007-08	Dy. Commissioner
			Total				35,113,367.00

6	Jharkand Telecom	Ranchi	Finance Act, 1994	Service Tax	146,377,877.00	2000-01 to 2003-04	CESTAT, Kolkata
		Ranchi	Finance Act, 1994	Penalty	146,377,877.00	2000-01 to 2003-04	CESTAT, Kolkata
		Ranchi	Finance Act, 1994	Service Tax	16,312,778.00	2004-05	CESTAT, Kolkata
		Ranchi	Finance Act, 1994	Penalty	16,312,778.00	2004-05	CESTAT, Kolkata
		Ranchi	Finance Act, 1994	Service Tax	1,963,069.00	2005-06	CCE, Ranchi
		Ranchi	Finance Act, 1994	Penalty	44,200.00	1994-99	CCE, Ranchi
		Dhanbad	Finance Act, 1994	Service Tax	127,578,433.00	2000-01 to 2003-04	COD, Delhi
		Dhanbad	Finance Act, 1994	Penalty	127,578,433.00	2000-01 to 2003-04	COD, Delhi
		Dumka	Finance Act, 1994	Service Tax	63,086,164.00	1999-00 to 2003-04	CCE, Ranchi
		Dumka	Finance Act, 1994	Penalty	45,650,723.00	1999-00 to 2003-04	CCE, Ranchi
		Daltonganj	Finance Act, 1994	Service Tax	25,766,000.00	2001-02 to 2005-06	CESTAT, Kolkata
Daltonganj	Finance Act, 1994	Penalty	14,502,931.00	2001-02 to 2005-06	CESTAT, Kolkata		
Jamshedpur	Finance Act, 1994	Interest on Service Tax	7,638,595.00	2003	CESTAT, Kolkata		
Total					739,189,858.00		
7	Telecom Factory- Jabalpur		Central Excise Act, 1944	Excise Duty	104,907,000.00	1993-94, 1994-95, 1996-97, 1998-99 TO 2000-01	CESTAT
				Commercial Tax	2,417,000.00	1995-96, 1996-97	High Court
			Madhya Pradesh Commercial Tax Act	Entry Tax	29,895,000.00	2001-02, 2002-03, 2003-04, 2005-06	Appellate Tribunal
Total					2,478,000.00	1981-82 TO 1984-1985	High Court
Total					139,697,000.00		
8	Telecom Stores- Calcutta		MUMBAI SALES TAX ACT, 1959	SALES TAX	74,295,000.00	1989-90 TO 1998-99	MAHARASTRA SALES TAX TRIBUNAL
			CENTRAL SALES TAX ACT, 1956	SALES TAX	315,000.00	1989-90 TO 1993-94	HIGH COURT, KOLKATA
			Central Excise Act, 1944	Excise Duty	1,897,000.00	1995-96 TO 2000-01	HIGH COURT, KOLKATA
			KOLKATA PORT TRUST	Compensation for leasehold land	27,640,000.00	2001 ONWARDS	COD, Govt. of India
Total					104,147,000.00		
9	Gujarat Telecom	GMTD, Rajkot	Finance Act, 1994	Interest & Penalty	113,700,000.00	2000-01 to 2001-02	CESTAT, Ahemadabad
		GMTD, Jamnagar	Finance Act, 1994	Interest & Penalty	12,987,000.00	1997-98 to 2000-01	CESTAT, Ahemadabad
			Finance Act, 1994	Adustment of excess payment penalty	25,689,000.00	1995-96 to 2001-02	CESTAT, Ahemadabad
			Finance Act, 1994	Adustment of excess payment penalty	1,125,000.00	2002-03	Assistant Registrar, CESTAT
		PGMTD, Ahmedabad	State Sales Tax	20,071,000.00	2002-03	Deputy Commissioner of commercial tax Dept.	
		CGMT, Ahmedabad	Finance Act, 1994	Service Tax	32,220,000.00	2005-06 to 2006-07	CESTAT, Ahemadabad
		CGMT, Ahmedabad	Finance Act, 1994	Service Tax	120,470,000.00	2005-06 to 2006-07	CESTAT, Ahemadabad
		GMTD, Junagadh	Finance Act, 1994	Interest & Penalty	64,000,000.00	2001-02 to 2002-03	Referred to Committee of Disputes (COD)
		CMTS	Bombay Stamp Act	Stamp Duty & Penalty	47,165,000.00	2004-05 to 2005-06	Gujarat High Court
		PGMTD Baroda	Finance Act, 1994	Interest & Penalty	40,200,000.00	2000-01 to 2003-04	Referred to Committee of Disputes (COD)
		Total					477,627,000.00
10	Assam Circle		Finance Act, 1994	Service Tax	9,345,698.00	1994-95 to 2003-04	CESTAT
			Finance Act, 1994	Interest on Service Tax	6,794,198.00	1994-95 to 2003-04	CESTAT
			Finance Act, 1994	Penalty on Service Tax	9,345,698.00	1994-95 to 2003-04	CESTAT
			Finance Act, 1994	Service Tax	4,951,228.00	1994-95 to 2004-05	CESTAT
			Finance Act, 1994	Interest on Service Tax	510,066.00	1994-95 to 2004-05	CESTAT
			Finance Act, 1994	Penalty on Service Tax	4,951,228.00	1994-95 to 2004-05	CESTAT
			Finance Act, 1994	Service Tax	6,420,567.00	1994-95 to 1999-2000	CESTAT
			Finance Act, 1994	Service Tax	8,456,508.00	1999-2000 to 2003-04	CESTAT
			Finance Act, 1994	Interest on Service Tax	2,528,256.00	1999-2000 to 2003-04	CESTAT
			Finance Act, 1994	Penalty on Service Tax	8,456,508.00	1999-2000 to 2003-04	CESTAT
			Finance Act, 1994	Interest on Service Tax	1,935,110.00	2004-05	Dy. Commissioner, Central Excise, Guwahati
Finance Act, 1994	Interest on Service Tax	1,922,867.00	2005-06	Dy. Commissioner, Central Excise, Guwahati			
Finance Act, 1994	Interest on Service Tax	9,473,442.00	2006-07	Dy. Commissioner, Central Excise, Guwahati			
Total					75,091,374.00		
11	Chennai Telephones		Finance Act, 1994	Service Tax	1,882,000.00	2004-05	CESTAT
			Total				

12	Karnatka Telecom	Shimonga	Finance Act, 1994	Service Tax	2,411,000.00	1994-2002	CESTAT, Chennai
		Chickamagalur	Finance Act, 1994	Interest on surcharge	937,000.00	1994-2002	CESTAT, Bangalore
13	Rajasthan Telecom	Hubli	Finance Act, 1994	Service Tax	562,433.00	1998-99	CESTAT
		Raichur	Finance Act, 1994	Service Tax	167,399.00	1998-99	CESTAT
14	Orissa Circle		Finance Act, 1994	Service Tax	200,713.00	1998-99	Karnatka High Court
			Cenvat Credit Rules, 2004	Cenvat Credit	341,697.00	2004-05	Service Tax Tribunal, Manglore
15	Telecom Factory- Kolkata		Finance Act, 1994	Service Tax in IUC	12,466,580.00	2001-06	CESTAT, Bangalore
			Finance Act, 1994	Service Tax in IUC	3,362,732.00	2004-05	CESTAT, Bangalore
16	Northern Telecom Project-New Delhi		Finance Act, 1994	Service Tax excess paid	430,000.00	2005-06	CESTAT, Bangalore
17	Andhra Pradesh Telecom		Cenvat Credit Rules, 2004	Cenvat Credit	3,119,189.00	2005-06 to 2005-06	Commissioner Central Excise-I, Jaipur
			Finance Act, 1994	Service tax	4,236,684.00	2003-04	Commissioner Central Excise-I, Jaipur
18	Bihar Circle		Finance Act, 1994	Service tax- Penalty	2,037,058.00	1999-00 to 2003-04	CESTAT, New Delhi
			Finance Act, 1994	Service tax	3,600,000.00	2000-01 to 2004-05	CESTAT, New Delhi
19	Bihar Circle		Central Excise Act, 1944	Service tax	273,376.00	2005-06	CESTAT, EZB, Kolkata
			Central Excise Act, 1944	Service tax	11,412,210.00	2006-07	CESTAT, EZB, Kolkata
20	Bihar Circle		Central Excise Act, 1944	Service tax	187,407,948.00	2007-08	Referred to COD
			Sales Tax Act	Sales Tax	72,679,206.00	2006-07	Supreme Court
21	Bihar Circle		Sales Tax Act	Sales Tax	263,057,053.00	2007-08	Supreme Court
22	Bihar Circle				534,829,793.00		
23	Bihar Circle		Central Excise Act, 1944	Excise Duty	5,357,000.00	2000-01 to 2002-03	CESTAT
			Central Excise Act, 1944	Excise Duty	1,825,000.00	2000-01 to 2002-03	CESTAT
24	Bihar Circle				7,182,000.00		
25	Bihar Circle		Central Sales Tax Act	Central Sales Tax	2,242,500.00	2001-02	Additional Commissioner - II, Sales Tax - New Delhi
			Delhi Sales Tax Act	Sales Tax- Delhi	45,000.00	2001-02	Additional Commissioner - II, Sales Tax - New Delhi
26	Bihar Circle		Himachal Pradesh GST Act	Sales Tax	4,000,000.00	2001-02	Assistant, Excise & Taxation Commissioner, Shimla
					6,287,500.00		
27	Bihar Circle		APGST Act	Sales Tax	446,345,000.00	2003-04	Andhra Pradesh High Court
			APGST Act	Sales Tax	434,279,000.00	2004-05	Andhra Pradesh High Court
28	Bihar Circle				880,624,000.00		
29	Bihar Circle		Finance Act, 1994	Service Tax	310,300,000.00	1994-95 to 1998-99	CEGAT/ Commissioner of Central Excise-I
					310,300,000.00		
30	Bihar Circle		Employees Provident Fund Act	Provident Fund *	2,434,166.00	2005-06	High Court, Patna
					6,127,262.00	2005-06	Employee's Provident Fund Court
31	Bihar Circle				837,186.00	2005-06	Employee's Provident Fund Court
					3,126,166.00	2007-08	Commissioner, Service Tax
32	Bihar Circle				24,990,220.00	2007-08	CESTAT, Kolkata
					70,000,000.00	2007-08	Referred to COD
33	Bihar Circle				55,946,085.00	2006-07	CESTAT, Kolkata
					25,627,339.00	2007-08	CESTAT, Kolkata
34	Bihar Circle				5,730,000.00	2007-08	Commissioner, Service Tax
					5,730,000.00	2006-07	Commissioner, Service Tax
35	Bihar Circle				48,000,000.00	2006-07	CESTAT, Kolkata
					23,600,000.00	2007-08	CESTAT, Kolkata
36	Bihar Circle				44,473,036.00	2007-08	Suprintendent, Service Tax
					11,500,000.00	2006-07	Commissioner, Service Tax
37	Bihar Circle				8,500,000.00	2006-07	Commissioner, Service Tax
					27,500,000.00	2007-08	Commissioner, Service Tax
38	Bihar Circle				10,507,982.00	2006-07	Commissioner, Service Tax

20				8,103,631.00	2007-08	Commissioner, Service Tax
				16,100,000.00	2007-08	Commissioner, Service Tax
		Bihar Local Sales Tax	Commercial Tax *	45,308,000.00	2002-03 to 2005-06	Patna High Court
		Total		444,141,073.00		
21	West Bengal Telecom	Local Sales Tax Act	Sales Tax	86,700,000.00	2003-04	Appellate Authority (Commissioner)
		Local Sales Tax Act	Sales Tax	27,300,000.00	1999-00	Appellate Authority (Commissioner)
	Local Sales Tax Act	Sales Tax	125,061,000.00	2002-03	Appellate Authority (Commissioner)	
	Finance Act, 1994	Service Tax	24,450,000.00	2007-08	Commissioner (Service Tax)	
	Finance Act, 1994	Service Tax	1,080,000.00	2007-08	Commissioner (Service Tax)	
	Employees Provident Fund Act	Provident Fund	2,637,000.00	2007-08	Regional Provident Fund Commissioner	
	Total			267,228,000.00		
	Madhya Pradesh Telecom	M.P. Commercial Tax Act	Sales Tax	24,515,985.00	2003-04	Dy. Commissioner of commercial tax (Appeal)
		Entry Tax Act	Entry Tax	7,849,333.00	2000-01	High Court, M.P
	Telecom Factory- Mumbai	Entry Tax Act	Entry Tax	14,689,547.00	2001-02	High Court, M.P
Entry Tax Act		Entry Tax	3,817,106.00	2003-04	Dy. Commissioner of commercial tax (Appeal)	
Finance Act, 1994		Service Tax	1,786,432.00	2005-06	Supdt. Central Excise	
Finance Act, 1994		Service Tax	3,976,227.00	2004-05	Add. Commissioner, Central Excise	
Employees Provident Fund Act		Provident Fund	4,916,040.00	2003-05	Supreme Court	
Nagar Palika Adhiniyam, 1961		Property Tax	56,814.00	2000-06	Nagar Palika, Raisen	
Total				61,607,484.00		
		Bombay Sales Tax Act	Bombay Sales Tax	2,702,000.00		Deputy Commissioner (Appeals)
			Interest	973,000.00		
			Penalty	3,137,000.00	1989-90	
	Central Sales Tax Act	Sales Tax	17,000.00			
		Interest	-			
		Penalty	46,000.00	1989-90		
	Bombay Sales Tax Act	Sales Tax	21,442,000.00			
		Interest	77,094,000.00			
		Penalty	200,000.00	1990-91		
	Bombay Sales Tax Act	Sales Tax	17,678,000.00			
		Interest	60,131,000.00			
		Penalty	200,000.00	1991-92		
	Bombay Sales Tax Act	Sales Tax	22,659,000.00			
		Interest	62,086,000.00			
		Penalty	20,000.00	1992-93		
	Bombay Sales Tax Act	Sales Tax	9,256,000.00			
		Interest	4,262,000.00			
		Penalty	18,680,000.00	1993-94		
	Bombay Sales Tax Act	Sales Tax	10,180,000.00			
		Interest	23,356,000.00			
		Penalty	22,000.00	1994-95	Maharashtra Sales Tax Tribunal	
	Bombay Sales Tax Act	Sales Tax	5,425,000.00			
		Interest	12,326,000.00			
		Penalty	10,000.00	1995-96		
	Central Sales Tax Act	Sales Tax	3,251,000.00			
		Interest	5,302,000.00			
		Penalty	327,000.00	1996-97		
	Central Sales Tax Act	Sales Tax	2,858,000.00			
		Interest	3,990,000.00			
		Penalty	287,000.00	1997-98		
	Central Sales Tax Act	Sales Tax	5,136,000.00			
		Interest	5,768,000.00			
		Penalty	516,000.00	1998-99		
	Bombay Sales Tax Act	Sales Tax	663,000.00			
		Interest	8,000.00			
		Penalty	17,000.00	1999-00		
	Bombay Sales Tax Act	Sales Tax	604,000.00			
		Interest	225,000.00			
		Penalty	3,000.00	2000-01		
22	Total			380,857,000.00		

23	Chattisgarh Telecom	Raipur GMTD	Finance Act, 1994 Finance Act, 1994 Finance Act, 1994 Finance Act, 1994 Finance Act, 1994 Finance Act, 1994 Finance Act, 1994	Service Tax Service Tax Service Tax Service Tax Service Tax Service Tax Service Tax	631,911.00 2,694,165.00 6,123,690.00 8,029,610.00 11,473,598.00 26,043,501.00 7,493,325.00	1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01	CESTAT, New Delhi CESTAT, New Delhi CESTAT, New Delhi CESTAT, New Delhi CESTAT, New Delhi CESTAT, New Delhi CESTAT, New Delhi
	Total				62,489,800.00		
24	J&K Telecom		J&K General Sales Tax Act,1962 J&K General Sales Tax Act,1962	Sales Tax Sales Tax	50,192,935.00 33,060,882.00	2003-04 2002-03	Commissioner of sales tax , jammu
	Total				83,253,817.00		
25	Corporate Office		Income Tax Act, 1961	Assessment u/s 143(3) Reassessment u/s 147 Assessment u/s 143(3) Assessment u/s 143(3) Assessment u/s 143(3) Assessment u/s 143(3)	1,450,100,000.00 8,189,900,000.00 275,700,000.00 19,794,400,000.00 3,611,000,000.00 3,166,700,000.00	2001-02 2001-02 2002-03 2003-04 2004-05 2005-06	ITAT, Delhi High Court, Delhi ITAT, Delhi ITAT, Delhi ITAT, Delhi ITAT, Delhi
	Total				36,487,800,000.00		
26	U.P West Telecom	GMTD, Muzaffarnagar		Entry Tax	112,034,000.00	2000-01 to 2002-03	U.P. Trade Tax Authorities
	Total				112,034,000.00		
	TOTAL				41,525,427,143.00		

* 1:- Amount of Rs. 453.08 lacs and Rs. 93.99 lacs has been attached by Commercial Tax Department(Bihar) & PF Department resctively against the various demands. The circle has not compiled the quantum of demands.

Statement -III

**Bharat Sanchar Nigam Limited
Audit Report under CARO (Clause 4(xxi)) for the financial year 2007-08**

Instances of Fraud on or against the company during the Financial Year 2007-08

S.NO.	Description	Amount	Recovery	Write-off	Provision
1	Theft of Inventory	16,676,324.00	2,063,148.00	1513613.00	13099563.00
2	Theft of Assets	144,985.00	-	-	144985.00
3	Fake Notes	132,665.00	-	132665.00	-
4	Misappropriation of Revenue Collections at counters *	4,159,966.00	4,074,818.00	-	85148.00
5	Salary Fraud	152,064.00	152,064.00	-	-
	Non-verification of genuineness of postpaid subscribers	52,000.00	52,000.00	-	-
6	Misuse of Advances	12,129.00	12,129.00	-	-
7	Cash Theft	66,000.00	-	-	66000.00
	TOTAL	21,396,133.00	6,354,159.00	1,646,278.00	13,395,696.00

* In addition, delay in deposit of cash collection was found at 7 collection counters of the J&K Circle, which has the effect of misuse of cash collection.