

Government orders telcos' audit, suspects under-reporting of revenues

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NEW DELHI: At a time when the telecom industry is facing a severe financial distress, the government is understood to have ordered a comprehensive audit of their financial filings on suspicion of under-reporting of revenues.

The government, which gains revenues from the sector as a percentage of their adjusted gross revenues (AGR), feels that not all may be well when it comes to reporting of financial figures by the top telecom companies.

Those under the scanner, as per sources, include Bharti Airtel, Vodafone and Idea Cellular (who have merged their businesses now), Tata Tele (who has exited the telecom business), and new entrant Reliance Jio.

FACING THE HEAT

In July last year, CAG had submitted a report in Parliament where it said six telecom companies – Bharti Airtel, Vodafone, Idea, RCom, Sistema Shyam Teleservices, and Aircel – had **understated adjusted gross revenues by more than ₹61,000 crore** over five years, resulting in **short payment of nearly ₹7,700 crore** in statutory dues to government



CAG had also said that another ₹4,532 crore was due from the six operators as interest on the short-term payments

“Six auditors are expected to be appointed by the first week of January, and we are hopeful of completing the exercise over the next nine-month period,” the source said.

In July last year, CAG said in a report that under-reporting of revenues was done through accounting adjustments for commission or discount paid by the companies to their distributors, promotional schemes like free talk-time and discounts to post-paid subscribers and on roaming services.

The revenue was also understated by netting of revenue from infrastructure sharing and non-inclusion of forex gains, interest income and sale of investment, CAG had said.

Sources said the telecom ministry will be issuing notices to the companies as the audit process gets underway.

As per the telecom policy, mobile operators are required to share a percentage of their AGR with the government as annual licence fee. This comes to nearly 8% now. In addition, mobile telephone operators are also required to pay Spectrum Usage Charges (SUC) to the government for the use of radio frequency spectrum allotted to them.

CAG said the gross revenue of the licensee operator, as per the agreement with the Department of Telecom, prohibits any set-offs of related expenditure from revenue and norms for preparation of the accounts for payment of revenue share are built into the licence agreement.