Government of India
Ministry of Communications
Department of Telecom
O/o DG Telecom HQ

Dated: 17/08/2020

To,

All Heads of all the LSAs

Subject: Instructions regarding CAF Audit in LSAs

It has been observed that sometimes CAF audit process trails behind the prescribed time period for regular monthly/quarterly audit and in such cases, if some discrepancy is noticed by the LSA in the CAF audit process, the TSP does not get chance to rectify it and same discrepancy gets repeated in subsequent months CAF samples which had already been submitted by the TSP but CAF Audit is still pending. It results in huge penalty amounts due to the same type of discrepancy without TSP getting a fair chance for its rectification and declaration of CAF as non compliant seems unjustified. If CAF samples are audited as per prescribed timelines, the discrepancy observed by the LSA could have been be removed by TSP at least in the subsequent months and same discrepancy may not have been repeated by the TSP in the future CAF audits.

Further, it is also observed that whenever a new mechanism is introduced to acquire the mobile subscribers or significant changes are made in the existing mechanism, generally a time period is given to TSPs to incorporate it in their IT systems, inform/train their retail channels etc. It has been noticed that even after that period, during new adaptation, some discrepancies may remain, either due to technical limitations of IT system of TSP's and/or different interpretation of the DoT's instructions. Many a times, it gets rectified only when pointed out by the LSAs during the CAF audit. As the discrepancy is due to a new process flow, same discrepancy is noticed in most of the CAFs and all such CAFs are being treated as non-compliant by the LSAs, resulting in a huge penalty and many a times, imposition of such penalties leads to litigation. It looks unjustified that due to a common discrepancy in the subscriber acquisition process, a huge penalty is imposed even if the customer is genuine.

2. In order to avoid above situations, following guidelines may be followed by the LSAs:-

i. Whenever it is observed that major percentage of a particular group (Paper, EKYC,DKYC) of CAFs are getting non-compliant due to some common observation, the audit process may be paused after some sample audits and the matter should be escalated to DDG (C) and, if required to Head of LSA if non-compliance is more than 5% (due to some common observation). TSP concerned may also be included in the discussion process to find the root cause of any such discrepancy resulting in higher non-compliance. Only after thorough examination at LSA level, audit of remaining CAFs should be continued. This examination at higher level should be completed preferably in 15 days time period.

ii. Such deviations of similar nature, should not be counted as non-compliant CAFs for the purpose of determining percentage slab of penalty provided that the LSA is of the view that :-
    a. It happened due to technical implementation of the CAF acquisition process or wrong interpretation of any new instruction and not due to any act of deliberate negligence/intention,
    b. Such deviations does not lead to non tracing of a customer or his/her address
    c. It is possible to identify/locate the PoS in the system of TSP
    d. TSP is willing to take corrective steps in the future acquisition of subscribers within reasonable time-frame
    e. The CAF customer appears to be genuine one.

An advisory letter may be issued to TSPs giving reasonable time limit to rectify the identified issue in the process. However, no penalty should be levied in such cases and mobile number should not be disconnected. Such Genuine customers should not be put to any inconvenience in such cases.
However, if any other violations of CAF verification norms are noticed, then prevailing guidelines will continue to be followed. Further, if the TSP does not take corrective action within the prescribed time frame and continues with the same discrepancy, then such cases may be treated as non-compliant CAF cases and shall be dealt in accordance with the provisions of the prevailing guidelines.

3. LSAs are requested to bring the above instructions into notice of all TSPs.

4. LSAs are also requested to do audit regularly as per defined procedure by DoT and should not trail behind.

This is issued with the approval of Competent Authority.

(Karan Goyal)
ADG (P&N)

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