



**AUDIT REPORT
ON
THE ACCOUNTS OF
TELECOMMUNICATION SECTOR
AUDIT YEAR 2012-13**

AUDITOR-GENERAL OF PAKISTAN



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ABBREVIATIONS & ACRONYMS

APC	:	Access Promotion Contribution
APC	:	All Pakistan Compilation
APPM	:	Accounting Policy & Procedure Manual
ASF	:	Annual Spectrum Fee
ALF	:	Annual License Fee
BOQ	:	Bill of Quantity
CPPS	:	Card Pay Phone Service
CA	:	Car Allowance
CGA	:	Controller General of Accounts
CMA	:	Controller Military Accounts
COO	:	Chief Operating Officer
CFO	:	Chief Financial Officer
CTO	:	Chief Technical Officer
DAC	:	Departmental Accounts Committee
DDO	:	Drawing & Disbursing Officer
DPLC	:	Domestic Private Leased Circuits
DWP	:	Development Working Party
DWDM	:	Dense Wavelength Division Multiplexing
ECC	:	Economic Coordination Committee
ECNEC	:	Executive Committee of National Economic Council
FAB	:	Frequency Allocation Board
FAC	:	Final Acceptance Certificate
FBR	:	Federal Board of Revenue
FBA&AP	:	Financial Budgeting Accounting & Audit Procedure
FCC	:	Final Capital Cost
FCF	:	Federal Consolidated Fund
FIA	:	Federal Investigation Agency
FTP	:	Field Training Program
FWO	:	Frontier Works Organization
FWT	:	Fixed Wireless Terminal
3-G	:	3 rd (Third) Generation
HRA	:	House Rent Allowance

HRGC	:	Human Resource Governance Committee
ICT	:	Information Communication Technology
IDC	:	Internal Departmental Committee
ILF	:	Initial License Fee
ISP	:	Internet Service Provider
KIBOR	:	Karachi Inter Bank Offered Rate
LDI	:	Long Distance and International
LOI	:	Letter of Intent
MCT	:	Multi Community telecenters
MoIT	:	Ministry of Information Technology
MoDP	:	Ministry of Defence Production
MSDN	:	Multi Services Data Network
MSAGS	:	Multi Services Access Gateways
NAB	:	National Accountability Bureau
NICTSP	:	National Information Communication Technology Scholarship Program
NSS	:	National Saving Schemes
NSPCs	:	National Signaling Point Codes
NTC	:	National Telecommunication Corporation
NRTC	:	National Radio Telecommunication Corporation
OFAN	:	Optical Fiber Access Network
OFC	:	Optical Fiber Cable
OSP	:	Outside Plant
PSDP	:	Public Sector Development Programme
PTA	:	Pakistan Telecommunication Authority
PAO	:	Principal Accounting Officer
PCC	:	Provisional Capital Cost
PID	:	Press Information Department
PTCL	:	Pakistan Telecommunication Company Limited
PPRA	:	Public Procurement Regulation Authority
POL	:	Petrol, Oil & Lubricants
PRI	:	Primary Rate Interface
PSDP	:	Public Sector Development Program
PSEB	:	Pakistan Software Export Board

R&D	:	Research & Development
R&R	:	Rest & Recreation
RBS	:	Radio Base Service
RIO	:	Reference Interconnect Offer Agreement
ROW	:	Right of Way
SAF	:	Spectrum Administrative Fee
SAT	:	Students Aptitudes Test
SCN	:	Show Cause Notices
SCO	:	Special Communications Organization
SDII	:	Synchronized Digital Hierarchy
SECP	:	Security Exchange Commission of Pakistan
STM	:	System Transfer Module
TDR	:	Term Deposit Receipts
TIP	:	Telephone Industries of Pakistan
TA	:	Technical Auditor
TOT	:	Training of Teachers
TSC	:	Telecom Staff College
USF	:	Universal Service Fund
VIM	:	Virtual Interconnect Media
WLL	:	Wireless Local Loop
ZTE	:	Zhongxing Telecom Pakistan

Preface

Articles 169 & 170 of the Constitution of the Islamic Republic of **Pakistan 1973**, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of receipts and expenditure out of the Federal Consolidated Fund and Public Account.

The report is based on audit of the accounts of Telecommunication Sector falling under the administrative control of Cabinet Division, Ministry of Defence Production and Ministry of Information Technology for the financial year 2011-12. The Directorate General of Audit, Posts, Telegraphs and Telephones, Lahore conducted audit during 2012-13 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value Rs 1 million or more. Relatively less significant issues are listed in the Annex-I of the Audit Report. The Audit observations listed in the Annex-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAOs do not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The report has been finalized in the light of latest replies submitted by the management in January 2013.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora (Parliament).

Dated: 4th March, 2013

Sd/-
MUHAMMAD AKHTER BULAND RANA
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The report presents comments on the accounts and results of audit for the year 2011-12 of the Telecommunication Sector which comprises Pakistan Telecommunication Authority (PTA), Frequency Allocation Board (FAB), National Radio Telecommunication Corporation (NRTC), National Telecommunication Corporation (NTC), Information Communication Technology Research & Development Fund (ICT R&D), Special Communications Organization (SCO), Telephone Industries of Pakistan (TIP) and Universal Service Fund Company (USF).

PTA, FAB, NTC, R&D and USF were established under Pakistan Telecommunication (Re-organization) Act 1996. PTA and FAB are under the administrative control of Cabinet Division. NTC, ICT R&D, SCO, TIP and USF are under Ministry of Information Technology whereas NRTC is administered by the Ministry of Defence Production. SCO was established under the directives of Prime Minister in 1976. NRTC and TIP are private limited companies incorporated under the Companies Ordinance, 1984.

The report has been finalized in the light of the latest replies submitted by the management of Telecommunication Entities in January 2013. However, DAC meetings could not be held despite repeated requests by audit.

The Director General PT&T Audit carries out the audit of above eight (8) Telecommunication Sector Entities. For this DG PT&T audit utilized a human resource of 46 officers and staff having 4062 man days. The budget allocated for this task for the Financial Year 2011-12 was Rs 35.372 million.

a. Scope of Audit

The total budgeted expenditure of the Telecommunication Entities for the financial year 2011-2012 under the jurisdiction of Director General PT&T Audit was Rs 19,292.846 million covering three (3) PAO's and twenty

eight (28) formations. Out of this budgeted amount, DG PT&T Audit audited an amount of Rs 5,973.199 million which, in terms of percentage, is 31% of auditable expenditure.

b. Recoveries at the instance of audit

Recovery of Rs 14.031.604 million was pointed out, out of which recovery of Rs 444.832 million was effected during the FY 2011-12 till the time of the compilation of this report. Out of the total, recoveries of Rs 44.400 million were not in the notice of the executive before audit (Annex II).

c. Audit Methodology

The Desk audit was not conducted as the telecommunication entities were not fully automated and where automated data was being maintained the access was not given. However, the updated permanent files in the Headquarter helped in planning and training of the manpower before starting field activity. The field audit was carried out on the basis of the planning file and the audit outcomes depicted in the reporting files for the result thereof.

d. Audit Impact

On the pointation of audit, PAO/Management of telecom sector entities the following amendments have been made;

- PTA/FAB/NTC management got approved their pay packages from competent Government forums. Resultantly un-approved allowances and financial benefits have been discontinued.
- FAB/NTC Management had also got approved their service rules from competent Government forums. NTC management also formulated recovery dispute & resolution policy and implemented this resulted into improvement in receivable management.

- NRTC, SCO & TIP adopted Public Procurements Rules (PPRs) and ensured its implementation which resulted in transparency of procurements.
- SCO management amended their FBA&A Procedure in the light of audit recommendations which resulted in transparency in incurrence of expenditure.

e. Comments on Internal Controls

- i. The internal audit wings exist in the Telecommunication Entities. However, internal audit reports were not submitted to the Board of Directors and audit. Resultantly, similar nature of irregularities is observed in these entities.
- ii. Though the telecom entities have a prescribed system of internal controls, however, the implementation of the same is very weak as utilization of resources promotions, appointments, amendment in regulations & award of work were observed in a number of cases.
- iii. Financial Management was weak as recovery of outstanding receivables was very slow despite having the comprehensive recovery policies/procedures.
- iv. Budgetary controls in SCO were not functioning effectively as the incurrence of expenditure in excess of budget grants and non-surrender of savings was observed.

f. Key audit findings of the report

- i. Receivable management of telecom entities remained weak which resulted in non recovery of huge amount of Rs 22,879.668 million pointed out in twenty (20) paras.¹
- ii. Violation of rules, contract agreements, irregular expenditure/ payment was pointed out in one hundred & thirty two (132) cases amounting to Rs 33,489.257 million.²
- iii. Lack of internal controls in utilization of resources, promotions, appointments & amendment in regulations amounting to Rs 57.476 million was noted in fifty three (53) cases.³
- iv. Loss to National Exchequer as well as to the telecom entities due to non-receipt of payments from various operators/agencies worth Rs 438.754 million was highlighted in fourteen (14) paras.⁴
- v. Extra allowances & financial benefits, leave encashment, bonus and irregular payment of TA/DA were highlighted in fifteen (15) cases amounting to Rs 238.426 million.⁵
- vi. Irregular procurement in violation of the PPRs was observed in eighteen (18) cases amounting to Rs 362.36 million.⁶

¹ Para 1.4 to 1.10, 1.13, 3.14, 4.19, 5.4 to 5.7, 5.16, 6.7, 7.5, 7.6, 8.55 & 8.56

² Para 1.11, 1.19 to 1.22, 1.24, 1.26, 1.28, 1.29, 1.34, 1.37, 2.4, 2.6, 3.5, 3.9, 3.11, 3.12, 3.15, 3.18 to 3.23, 4.4, 4.5, 4.7 to 4.10, 4.12 to 4.17, 4.20, 5.11, 5.14, 5.15, 5.17, 5.18, 5.20, 5.21, 5.23, 5.24, 5.30, 5.32 to 5.40, 5.42 to 5.61, 5.88 to 5.93, 6.5, 6.8, 6.9, 6.12, 6.13, 6.17, 6.22 to 6.28, 7.9, 7.11, 7.13, 7.16 to 7.18, 7.21, 8.4 to 8.8, 8.11 to 8.20, 8.33, 8.34, 8.38, 8.42, 8.44, 8.47 to 8.54 & 8.57

³ Para 1.36, 4.21, 5.63 to 5.87, 6.4, 6.10, 7.12, 7.14, 7.19, 7.20, 8.21 to 8.31, 8.36, 8.37, 8.39 to 8.41, 8.45 & 8.46

⁴ Para 1.12, 1.14 to 1.16, 1.23, 1.25, 2.10 to 2.12, 5.22, 5.41, 7.4, 7.10 & 7.15

⁵ Para 1.27, 1.31 to 1.33, 1.35, 2.5, 2.7 to 2.9, 4.6, 4.11, 4.18, 5.9, 7.8 & 8.32

⁶ Para 3.4, 3.6 to 3.8, 3.10, 3.13, 3.16, 3.17, 5.10, 5.25 to 5.29, 5.31, 7.7, 8.9 & 8.10

- vii. Irregular/unauthorized investment of funds amounting to Rs 64,025.426 million was observed in four (4) cases.⁷
- viii. Lack of internal control in violation of own procedures/policies resulting in non-recovery/less realization of Rs 33.486 million was also observed in five (5) cases.⁸
- ix. Excess payment of salaries amounting to Rs 41.667 million over & above approved salaries was observed in one (1) case.⁹
- x. Unauthorized expenditure of Rs 256.230 million over and above the budget allotment was observed in two (2) cases.¹⁰
- xi. Non surrender of savings amounting to Rs 93.877 million was observed in three (3) cases.¹¹
- xii. Unauthorized withdrawal from USF & main collection account amounting to Rs 14,002.403 million was observed in two (2) cases.¹²
- xiii. Unauthorized retention of revenue and non-depositing into FCF amounting to Rs 286.632 million was observed in one (1) case.¹³

⁷ Para 1.17, 5.12, 5.13 & 8.58

⁸ Para 5.62, 6.18 to 6.21

⁹ Para 8.43

¹⁰ Para 6.14 & 8.35

¹¹ Para 5.19, 6.11 & 6.15

¹² Para 1.18 & 1.30

¹³ Para 6.16

- xiv. Irregular deposit of receipt into DDO account amounting to Rs 1.062 million was pointed out in one (1) case.¹⁴
- xv. Non-recovery of penalty on account of delay transfer of revenue of Rs 33.353 million was observed in one (1) case.¹⁵

¹⁴ Para 5.8

¹⁵ Para 6.6

g. Recommendations

- i. Ministries/Divisions need to strictly follow Article 78 of Constitution in handling public money whether they receive or spend it. They should deposit/retain the public money in the Federal Consolidated Fund and Public Accounts as the case may be.
- ii. Practice in the Ministries/Departments or their Autonomous Bodies/Authorities in making payments to employees in contravention of rules and in disregard to the employees' entitlement need to be checked.
- iii. Telecommunication entities need to comply with the Public Procurement Rules, 2004 for procurement of goods and services as a number of cases regarding violation of PPRs were observed.
- iv. SCO management needs to strengthen their internal controls to ensure timely receipt of revenue from the banks, operators and subscribers. The implementation of clauses of Reference Interconnect Offer Agreement (RIO) should also be ensured to avoid un-necessary delays in receipt of payments.
- v. NTC Management needs to strengthen the internal controls in utilization of resources, promotions, appointments & amendment in regulations besides implementation of the approved service rules.
- vi. Inquiries need to be held to fix responsibility for losses, unauthorized payments and wasteful expenditure as pointed out by the Audit.
- vii. The management needs to implement the PAC/DAC directives.

SUMMARY TABLES AND CHARTS

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S.No	Description	No	Budget	
1	Total Entities (Ministries PAOs) in Audit Jurisdiction	03	Budget	19,292.846
			Receipts	26,407.774
2	Total formations in Audit jurisdiction	37	Budget	19,292.846
			Receipts	26,407.774
3	Total Entities (Ministries/PAOs) Audited	03		45,700.620
4	Total formations Audited	28	Budget	19,292.846
			Non Budgeted	136,309.198
			Receipts	26,407.774
5	Audit & Inspection Reports	28		182,009.818
6	Special Audit Reports/Studies	-		-
7	Performance Audit Reports	-		-
8	Other Reports	-		-

Table 2: Audit observations regarding Financial Management

(Rs in million)

S.No	Description	Amount placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	99,165.827
3	Weak Internal Controls relating to financial management	540.598
4	Others	36,533.652
TOTAL		136,240.077

Table 3: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on		Receipts	Others		Total current Year	Total last year
		Acquiring Physical Assets (Procurement)	Civil Works		Budgeted	Non Budgeted		
1	Outlays Audited	380.856	411.146	24,971.919	5,181.197	136,309.198	167,254.316	313,738.422
2	Amount placed under Audit Observation/ Irregularities	254.419	209.191	12,037.165	2,633.208	121,106.094	136,240.077	241,065.829
3	Recoveries pointed out at the instance of Audit	-	-	-	14,031.604		14,031.604	17,756.471
4	Recoveries accepted/ established at the instance of Audit	-	-	-	14,031.604		14,031.604	17,756.471
5	Recoveries realized at the instance of Audit	-	-	-	444.832		444.832	0.957

Table 4: Irregularities pointed out

(Rs in millions)

S.No	Description	Amount placed under Audit Observation
1	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	76,286.159
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	443.206
3	Accounting errors (NAM ¹ , misclassification, over or understatement of account balances) that are significant	-

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (cash) Compliant.

	but are not material enough to result in the qualification of audit opinions on the financial statements.	
4	If possible quantify weaknesses of internal control systems.	97.392
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies	-
6	Non-production of record.	-
7	Others, including cases of accidents, negligence etc.	36,533.652
8	Receivables	22,879.668
TOTAL		136,240.077

Table 5: Cost benefit

(Rs in millions)		
S.No	Description	Amount
1	Outlays audited	167,254.316
2	Expenditure on Audit	35.372
3	Recoveries realized at the instance of Audit	444.832
	Cost Benefit Ratio	12.5:1.0

CABINET DIVISION

CHAPTER-1

PAKISTAN TELECOMMUNICATION AUTHORITY

PAKISTAN TELECOMMUNICATION AUTHORITY

1.1 Introduction

Pakistan Telecommunication Authority (PTA) is a corporate body established on 1st January, 1996 under Pakistan Telecommunication (Re-organization) Act, 1996 which was amended in 2006. The Authority is working under the administrative control of the Cabinet Division. Its accounts are audited by Auditor General of Pakistan under the provision of Section 15 of Telecom Reorganization Act and may also be audited by the External Auditors. Its main functions are as under:

- Act as regulator to implement deregulation policy issued by the GoP.
- Grant and renew licenses for any telecommunication system and any telecommunication services on payment of regulatory fee.
- To regulate the establishment, operation and maintenance of telecommunication systems and the provision of telecommunication services in Pakistan.
- Promote and protect the interests of users, rapid modernization of telecommunication systems and providing a wide range of high quality efficient, cost effective & competitive telecommunication services in Pakistan.
- Make recommendations to the Federal Government on policies with respect to International Telecommunications.
- Regulate arrangements amongst telecommunication service providers of sharing their revenue derived from provision of telecommunication service.

1.2 COMMENTS ON BUDGET AND ACCOUNTS

1.2.1 A comparison of the operating results of PTA for year 2011-12 with the previous year is as under:

(Rs in million)

Particulars	2011-12	%age Incr./ (Dec)	2010-11
Revenue	8,158.113	(23.093)	10,607.876
Accrued & Other Liabilities	175.197	220.264	54.704
Fee Receivable	1,210.103	11.043	1089.761

1.2.2 There is a huge increase in other payables of Rs 138 million under head "Accrued and other liabilities" (note 11). The management has stated that the increase was due to their inability to pay certain creditors because of shortage of cash on account of forceful recovery by FBR, however, it can be clearly seen that PTA has been cash rich during the period as an investment of Rs 392.6 million was made during the year and PTA had a closing cash balance of Rs 159.6 million.

1.2.3 Receivable management remained a weak area as the receivables have piled up to an aggregate of Rs. 17,052.3 million (note 19) and another provision of Rs. 13.9 million was made against receivables during the year bringing the total "provision for doubtful receivables" up to Rs. 15,842.2 million.

1.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

Cabinet Division PTA

S.No	Audit Year	Total Paras	Total Directives	Compliance received	Compliance not received	%age
01	1997-98	07	07	07	00	100
02	1998-99	07	07	07	00	100
03	1999-00	06	06	04	02	67
04	2000-01	31	31	28	03	90
05	2001-02	09	09	05	04	56
06	2002-03	03	03	02	01	67
07	2003-04	07	07	04	03	57
08	2004-05	09	09	04	05	44
09	2005-06	10	10	02	08	20
10	2006-07	08	08	01	07	13
11	2008-09	26	26	03	23	12

It was replied in January 2013 that at S.No.1 the operator had paid partial amount and balance amount was subjudiced in the Court. The cases from S.No.2 to 4 were also subjudiced in different courts. At S.No.5 Rs 5,917,766 relate to year ended 31st December, 2011 on which SCN was issued on 10th July 2012. Balance amount relates to previous years and was subjudiced in Lahore High Court.

Audit recommended that recovered amount be got verified from audit besides recovery of remaining amount at the earliest.

No progress was intimated till finalization of this report.

1.5 Non-recovery on account of R&D contribution - Rs 2,590.985 million

According to condition 4.1 of Long Distance International (LDI) License issued under section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, in any financial year of licensee, the licensee shall make a contribution to the Research & Development Fund established by the Government of Pakistan in an amount calculated on the basis of 1 % of the Licensee's annual gross revenue from Licensed Services for the most recently completed Financial Year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. Further, clause 4.2.2 further stipulates that the licensee shall make this contribution within 120 days of the end of financial year.

PTA did not recover an amount of Rs 2,590,985,213 on account of R&D Contribution from the operators during FY 2011-12. Non recovery of receipts reflects ineffective financial management of PTA and weak internal controls devised for realization of receivables.

AUDIT PARAS

1.4 Non-recovery of outstanding dues on account of USF charges - Rs 950.506 million

According to clause 6.1 of Long Distance International (LDI) License issued under section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, the Licensee shall contribute to the Universal Service Fund an amount calculated on the basis of 1.5% of the Licensee's gross revenue from Licensed Services for the most recently completed Financial Year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. Further, clause 4.2.2 further stipulates that the licensee shall make this contribution within 120 days of the end of financial year.

PTA did not recover an amount of Rs 950,505,556 on account of USF charges from the operators during FY 2011-12. Non-recovery of receipts reflects ineffective financial management of PTA and weak internal controls devised for realization of receivables. Detail is as under:

S. No	Name of Company M/s	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
01	Circle Net	54,673,341	39,060,795	15,612,546
02	Dancom Pakistan (Pvt) Ltd.	2,928,446	0	2,928,446
03	Dvcom	6,448,366	0	6,448,366
04	PTCL	2,837,988,489	1,999,723,206	838,265,283
05	Telecard Ltd.	1,217,509,628	1,201,545,380	15,964,248
06	World call Telecom Ltd.	321,932,119	250,645,452	71,286,667
TOTAL		4,441,480,389	3,490,974,833	950,505,556

Detail is as under:

S. No	Name of Company M/s	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
01	Circenet Communications Pakistan	9,904,472	2,860,839	7,043,633
02	Dancom Pakistan	30,414,171	18,651,752	11,762,419
03	DV Com	3,940,458	1,913,413	2,027,045
04	PTCL	2,546,375,996	0	2,546,375,996
05	World Call Telecom	157,366,236	133,590,116	23,776,120
TOTAL		2,748,001,333	157,016,120	2,590,985,213

It was replied in January 2013 that all the cases from S.No.1 to 4 were subjudiced in different courts and at S.No.05 amount of Rs 1,972,588 relates to year ended 31st December, 2011. SCN was issued on 10th July, 2012.

The remaining amount may be recovered and further progress of the cases may be intimated.

No progress was intimated till finalization of this report.

1.6 **Non-recovery on account of APC for USF charges - Rs 5,878.377 million**

As per Section 10 Sub Section (2) of Access Promotion Regulation, 2005, "An LDI licensee shall make payment into the designated bank account within a time period not exceeding ninety (90) days from the close of the month to which such payment relates.

PTA did not recover an amount of Rs 5,878,377,295 on account of APC for USF charges from the operators during FY 2011-12. Non-recovery of receipts reflects ineffective financial management of PTA and weak internal controls devised for realization

of receivables. Detail is as under:

S. No	Name of Company M/s	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
01	Circle Net	864,157,322	46,298,400	817,858,922
02	DANCOM Pakistan	382,949,858	0	382,949,858
03	Dvcom Ltd.	116,312,070	0	116,312,070
04	Link Direct Intl.	67,886,327	64,717,851	3,168,476
05	Multinet	1,917,955,154	183,237,451	1,734,717,703
06	PTCL	3,480,130,832	3,387,077,219	93,053,613
07	Redtone	1,172,436,001	0	1,172,436,001
08	Telecard.	460,259,002	43,317,046	416,941,956
09	Telenor Pakistan	70,297,620	63,130,120	7,167,500
10	Wateen Telecom	907,576,110	107,900,338	799,675,772
11	Wise Com.	82,702,749	0	82,702,749
12	World call Telecom	490,953,865	239,561,190	251,392,675
TOTAL		10,013,616,910	4,135,239,615	5,878,377,295

It was replied in January 2013 that there is no outstanding dues pending against M/s Link Direct, M/s Telenor I.D.I and M/s PTCL as the outstanding dues were recovered after June 30, 2012. Further, the operators who have defaulted in paying APC for USF dues have challenged the APC regime in the court of Law and have also obtained stay order.

The recovered amount may be got verified and further progress of the cases be intimated.

No progress was intimated till finalization of this report.

1.7 Non-recovery on account of Spectrum Administrative Fee - Rs 182.940 million

According to clause 1.2.1 of Appendix (Fees related to Radio Frequency Spectrum) of Mobile License issued under section 21 of the

Pakistan Telecommunication (Re-organization) Act, 1996, in addition to any other fees payable by the Licensee under this License, the Licensee shall pay an annual fee within 120 days of the close of Financial Year to the Authority on the bases of per MHz per annum for 75% of the FAB budgeted expenditure divided by actual total spectrum allocated to all the mobile operators.

PTA did not recover an amount of Rs 182,940,351 on account of Spectrum Administrative Fee (SAF) from the operators during FY 2011-12. Detail is as under:

S. No	Name of Operator	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
01	M/s Ufone	109,890,351	0	109,890,351
02	M/s Warid	73,050,000	0	73,050,000
TOTAL				182,940,351

It was replied in January 2013 that at Sl.No.1 the amount was subjudiced in Supreme Court of Pakistan and at Sl.No.2 payment was not yet due. As per Clause 1.2 (1.2.1) of Appendix 2 of License, it falls due within 120 days of the end of the financial year of the Operator.

Audit requires that recovered amount be got verified besides recovery of balance amount as on due. Further, court case be persuade vigorously.

No progress was reported till the finalization of this report.

1.8 **Non-recovery on account of Annual Spectrum Fee - Rs 95.739 million**

According to clause 1.3.2 of appendix-2 of Local Loop License issued under section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, in addition to any other fees payable by

the Licensee under the License, the Licensee shall pay annual fee to the authority.

PTA did not recover an amount of Rs 95,739,210 on account of Annual Spectrum Fee (ASF) from the operators during FY 2011-12. Detail is under:

S. No.	Name of Operator	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
01	Great Bear	24,731,192	0	24,731,192
02	Sharp Communications	11,363,360	204,160	11,159,200
03	Tele card Ltd.	27,552,006	2,261,521	25,290,485
04	World call Telecom Ltd	34,558,333	0	34,558,333
TOTAL		98,204,891	2,465,681	95,739,210

It was replied in January 2013 that enforcement Order was issued on 5th June, 2012 & 17th July, 2012 in case of at Sl.No.1 & 3. However, M/s Telegard had filed an appeal in Islamabad High Court on 24th August, 2012 against PTA's Order. As regard to Sl.No.2 & 4 show Cause Notices were issued on 6th June & 6th September, 2012 and hearing was to be held.

Audit recommended that effective steps may be taken to recover the outstanding amount.

No progress was intimated till finalization of this report.

1.9 **Non-recovery on account of Initial Spectrum Fee and RBS dues - Rs 1,046.393 million**

According to section 30 of Pakistan Telecommunication (Re-organization) Act, 1996, all fees, fines or other amounts due or payable to the Authority may be recovered as arrears of land revenue.

PTA did not recover an amount of Rs 1,046,392,873 on account of LDI-Long Distance & International, Initial Spectrum Fee, RBS and ISP's & DNOP's from the operators during FY 2011-12. The detail is as under:

S. No	Description	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
1	LDI-Long Distance and International	94,779,775	75,464,154	19,315,621
2	Initial Spectrum Fee	985,642,817	0	985,642,817
3	RBS	107,852,656	78,957,778	26,029,378
4	ISP's and DNOP's	52,664,725	37,259,668	15,405,057
TOTAL		1,240,939,973	191,681,600	1,046,392,873

Non-recovery of receipts reflects ineffective financial management of PTA and weak internal controls devised for realization of receivables.

It was replied in January 2013 that LDI operator had paid the Principal amount and balance amount was adjudged in Court. SCN had been issued of and balance relates to previous years and was also adjudged in Lahore High court. No reply was given regarding receivables of RBS. It was replied regarding ISP's and DNOP's that the license was suspended on 1st October, 2010 and the file was moved for filing of Recovery Petition in Feb 2011. The show Cause Notice was issued in remaining cases.

The amount recovered may be got verified. balance amount be recovered and further progress of the court cases be intimated.

No progress was intimated till finalization of this report.

1.10 **Non-recovery on account of APC for USF- AJK and GB - Rs 31.999 million**

As per Section 10 Sub Section (2) of Access Promotion Regulation, 2005. "An LDI licensee shall made payment into the designated bank account within a time period not exceeding ninety (90) days from the close of the month to which such payment relates.

PTA did not recover an amount of Rs 31,998,598 on account of APC for USF charges from the operators during FY 2011-12. Detail is as under:

S. No	Name of Company M/s	Billing during the period (Rs)	Amount Received (Rs)	Balance as at 30 th June, 2012 (Rs)
01	4B Gental International	1,922,336	126,723	1,795,613
02	Circlenet Communications	167,582	0	167,582
03	Multinet Pakistan	485,735	122,523	363,212
04	SCO	7,595,775	7,249,116	346,659
05	Telecard	15,905,068	1,431,572	14,473,496
06	World call Telecom Ltd.	15,145,597	293,561	14,852,036
TOTAL		41,222,093	9,223,495	31,998,598

Non- recovery of receipts reflects ineffective financial management of PTA and weak internal controls devised for realization of receivables.

It was replied in January 2013 that there was no outstanding dues against M/s SCO as the outstanding dues were recovered. The operators who had defaulted in paying APC for USF dues had challenged the APC regime in the court of law and had also obtained stay orders.

Audit recommended that court cases be pursued vigorously besides recovery of amount involved.

No progress was intimated till finalization of this report.

1.11 Irregular expenditure on establishment of Zonal office in residential area - Rs 19.620 million

M/s Col (Rtd) Muhammad Abbas Malik, Residents Welfare Association, Chaklala Scheme-III, Advocate High Court served a notice to PTA that "you are utilizing/permitting (House No. 161 St. No. 9) the residential area to be used for the purpose other than that of residence and allowed or permitted the aforesaid house to be used for commercial purpose and have established an office (PTA office) there. It is a gross violation of the conditions of the lease deed (Para 6).

PTA purchased House No. 161. St. No 09, Chaklala Scheme-III Rawalpindi for establishment of PTA Zonal office Rawalpindi with the cost of Rs 19,620,000. The office was situated in the residential area but the area was to be used only for residence purpose and was not allowed to be used for commercial purpose.

It was replied in January 2013 that this office published advertisement in prominent daily newspapers for purchase of land for Zonal office Rawalpindi. After receiving no offer/response of commercial land, Authority decided to purchase the said building. The Authority in parallel had taken up the matter with the DHA, Rawalpindi and Military Lands & Cantonment, for allotment of Land for the construction of building for this office.

The matter may be investigated and responsibility for purchase of house for office building in residential area be fixed.

No progress was intimated till finalization of this report.

1.12 Non-calculation of loss on account of illegal termination of international traffic

Sections 20 (1) & 31(1) of the Act says that: "no person shall establish, maintain or operate any telecommunication system or

provide any telecommunication services unless he has obtained a license under the Act. Further, states that, whoever establishes, maintains or operates a telecommunication system or telecommunication service or possesses any wireless telegraphy apparatus or carries any other activity in contravention of this Act or the rules or regulation made there under, the Wireless Telegraphy Act, 1933 (XV of 1933), or the condition of a license shall be guilty of an offence under Section 31(2) of the aforementioned Act.

Contrary to the above, FIA & PTA raided four different locations where some persons were found involved in terminating international voice traffic by establishing illegal gateway exchanges. The exchanges were dismantled and instruments were recovered by FIA. But the amount of loss and the period of duration of illegal traffic were not calculated due to which loss of billions of rupees was sustained to national exchequer. Further, detail of loss against each number in all four cases was not available and challans still had not been completed due to which accused had not been arrested so far. The particulars of the exchanges are as under:

S. No.	Name of Accused Persons	Address of establishment of illegal gateway exchange
1	Mr. Chuang HuiZheng and Mr. Jiancheng Yao	H. No. 16, 7 th Avenue, F-6/1, Islamabad & H.No 2-A, St. No 43, F-7/1, Islamabad
2	M/s ASKE Business Consultation Co	H. No. 20-A, College Road, F-7/2 Islamabad
3	M/s ADRAS	H.No. 778 St. No. 64, G-9/4, Islamabad
4	Mr. Dai Chun Gen	Flat No. 405, Sughra Tower, F-11 Markaz Islamabad

It was replied in January 2013 that on basis of available information, the calculated loss was Rs 12,223,125, Rs 38,745,000, Rs 33,210,000 & Rs 33,210,000 per month respectively but the actual period of grey traffic cannot be calculated and recovery of loss was not

possible as the accused persons were absconders. The detail of loss against each number was not possible as it was always calculated comprehensively. The cases were pending at FIA.

The reply was not convincing since the system installed in PTA shall have some "alerts" which depicts the volume of international calls etc. Furthermore, the amount of loss neither was recovered from the accused nor the accused were arrested.

The loss of illegal traffic may be calculated and accused be arrested and loss be recovered

No progress was intimated till finalization of this report.

1.13 Non-recovery of loss due to illegal termination of international traffic - Rs 27.298 million

Sections 20 (1) & 31(1) of the Act says that; "no person shall establish, maintain or operate any telecommunication system or provide any telecommunication services unless he has obtained a license under the Act". Further states that, whoever establishes, maintains or operates a telecommunication system or telecommunication service or possesses any wireless telegraphy apparatus or carries on any other activity in contravention of this Act or the rules or regulation made there under, the Wireless Telegraphy Act, 1933 (XV of 1933), or the condition of a license shall be guilty of an offence under section 31(2) of the aforementioned Act.

Contrary to the above, FIA & PTA raided in three different locations where some persons involved in terminating international voice traffic by establishing illegal gateway exchanges. The exchanges were dismantled and instruments were recovered. The loss of Rs 27,298,117 on account of illegal traffic was not yet recovered.

Detail is as under:

S.No	Name of Accused Persons	Address of establishment of illegal gateway exchange	Amount of loss involved Rs
1	Muhammad Haroon & Sh. Nisar Alias Prince	H#38Altaf Town, Multan	25,111,939
2	Muhammad Shafaqat & Agha SohailZahoor	H#E-966 /B-14 Munawara Abad, Chunghi Amer Sadho, Lahore	273,044
3	Muhammad Nadeem Butt & Asad Aziz	H.79/AI Ghani Street-55, Umer Chowk, Rajgarh, Lhr.	1,913,134
TOTAL			27,298,117

It was replied in January 2013 against Sl.No.1 that the case against the illegal operator was under trial in the court. The court will decide the recovery of the amount from accused. At Sl.No.2 and 3, it was replied that the case against the illegal operator was under investigation with FIA. FIA had submitted interim challan in the court. After submission of final challan by FIA, court will decide the recovery of the amount from accused.

The reply was not acceptable, as the loss was not recovered from the accused. The final challans still had not been submitted by the FIA in two cases.

The effective steps may be taken to decide the case in the court of law, submission of final challans in the court and recover the amount from accused.

No progress was intimated till finalization of this report.

1.14 **Loss due to less realization of Annual Radio Frequency Spectrum Fee - Rs 106.017 million**

According to clause 4.2 of De-Regulation Policy for Telecom Sector issued by Ministry of IT & Telecom Division in July, 2003, entry to Local Loop market will be unrestricted and open. Any person

who requests for a license, and meets the licensing requirements, will be eligible to get a license on payment of the prescribed fee which will be set at the Pak rupee equivalent of US\$ 10,000 for a LL license.

PTA submitted the demand notes of Rs 215,045,666 for payment of Annual Radio Frequency Spectrum Fee for Wireless Local Loop (WLL) license/services to different operators of WLL for the years ended June, 30 2010 & June, 30 2011 which were paid by the WLL licensees. PTA issued all these demand notes in Pak Rupees in initial rates instead of US dollars rate at the time of payment. Resultantly, Authority sustained a loss of Rs 106,016,565 due to less charging on account of exchange rates fluctuation.

It was replied in January 2013 that PTA had been demanding the Annual Radio Frequency Spectrum Fee for all these years on the basis of the license condition 1.3.2 of WLL license which states that “In addition to any other fee payable by the licensee under the license, the licensee shall pay an annual fee to the Authority in amount of US \$ 10,000 or Rs 580,000”.

The reply was not acceptable as the Annual Radio Frequency Spectrum Fee was demanded through demand notes in PAK rupees instead of dollar rate and interest of PTA was not watched while issuing Demand Notes.

The matter may be investigated with a view to fix the responsibility for short claim of fee and balance amount be recovered.

No progress was intimated till finalization of this report.

1.15 Loss due to short deduction of Administrative Service charges - Rs 5.171 million

According to Annexure-II of Azad Jammu and Kashmir Council Secretariat Letter No. LAW-4/8/2008-AJKC dated 11th

November, 2009 regarding utilization of USF & R&D Fund contribution of AJK/GB, PTA will deduct 10% service charges from the following fees/contributions:-

- (i) Initial License Fee, (ii) Annual License Fee, (iii) Initial Spectrum Fee, (iv) Annual Radio Frequency Spectrum Fee, (v) Any other Fee/Charge.

PTA collected Annual Regulatory Dues (ARD) on behalf of AJK & GB and deducted Administrative Service Charges from ARD @ 5% instead of 10%. Thereof, PTA sustained a loss of Rs 5,171,256 due to short deduction of service charges. Detail is tabulated below:

S. No	JV No & Date	Annual License Fee Mobile-AJK & GB	Universal Service Charges-AJK & GB	Total (3+4)	Service Charges Deducted @ 5% of (5)	Service Charges Due @ 10% of (5)	Less Deduction (7-6)
1	05/094 dt. 15.5.12	6,185,180	24,740,721	30,925,901	1,546,295	3,092,590	1,546,295
2	05/048 dt. 08.5.12	3,214,008	12,856,033	16,070,041	803,502	1,607,004	803,502
3	05/030 dt. 03.5.12	38,735,424	9,683,856	48,419,280	2,420,964	4,841,928	2,420,964
4	02/102 dt. 14.2.12	8,009,907	-	8,009,907	400,495	800,990	400,495
TOTAL					5,171,256	10,342,512	5,171,256

It was replied in January 2013 that PTA deducts service charges @ 5% on all Annual Regulatory Dues collected by PTA on behalf of AJK & GB as per approval of the Authority.

The reply was not acceptable as Administrative Service Charges were not deducted at prescribed rates.

The matter may be investigated with a view to fix responsibility and Administrative Service Charges be recovered from concerned quarters.

No progress was intimated till finalization of this report.

1.16 Loss due to short claim of APC for USF from 4B Gentle - Rs 30.142 million

As per clause 5 (1) & (2) Access Promotion Rules, 2004 regarding payment of APC for USF, for each month that it provides telecommunication services, a LDI Licensee shall pay to the Universal Service Fund an amount determined by multiplying the APC for USF Contribution for that country by the monthly volume of Incoming International Telephony Service from that country, measured in call-minutes, carried by the LDI Licensee and terminated on the telecommunication system of any Mobile Licensee. Further, payment under sub-rule (1) shall be made not later than ninety (90) days after the end of the calendar month for which the payment obligation arises.

PTA issued demand notes of Rs 1,268,308,237 to M/s 4B Gentle Lahore LDI operator for the payment of APC for USF for the period August 2009 to August 2010. The operator deposited partial amount of demand notes. PTA issued show cause notice for the payment of balance amount on 02.06.2011. PTA calculated the remaining claims on the US\$ rates existed at the time of issuance of demand notes instead of prevailing dollar rates at the time of issue of the show cause notice. Resultantly, loss of Rs 30,142,023 was sustained to National Exchequer.

It was replied in January 2013 that AP Rules 2004 define APC for USF contribution as the amount determined by the Authority. In addition to that Clause 8 of AP Regulations 2005 clarify that all the payment by LDI operators were to be made in Pak Rupees shall be an average rate of the month, to which such payment relates as announced by National Bank of Pakistan. The demand notes from August 2009 to August 2010 to 4B Gentel were raised using the exchange rate of the respective month as per AP Regulations 2005. Since Show Cause Notice pertains to dues for a specific period of time for which demand

note was issued and there was no provision in AP Rules or Regulations to revise the demand notes at the time of issuing Show Cause Notice by using exchange rate at that time.

The reply was not acceptable as the operator received the call charges from subscribers in dollars but PTA claimed APC for USF in Pak Rupees on exchange rate, to which payment relates instead of exchange rate during which the payment was being made.

It is recommended that matter be investigated to fix the responsibility for violation of rules besides the recovery of loss.

No progress was intimated till finalization of this report.

1.17 Un-authorized investment in banks - Rs 18,428.271 million

According to sections 12 (3) & 13 (3) of Pakistan Telecommunication (Re-organization) Act 1996, any surplus of receipts over the actual expenditure in a year shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

Contrary to the above, PTA transferred funds of Rs 18,428,270,574 from the different NIDA Accounts and made investment in Treasury Bills (TB) & Term Deposit Receipts (TDR) with National Bank of Pakistan. PTA made investment of these funds which were required to be transferred to Federal Consolidated Fund (FCF). It was further observed that PTA invested the funds in banks in non- competitive manner.

It was replied in January 2013 that PTA is maintaining its bank account in NIDA accounts. The surplus fund in the Collection accounts were ultimately surrendered to the Federal Consolidated Fund at the end of each financial year. It also helps in reducing PTA's

budget burden on the Government of Pakistan. Therefore, keeping the same spirit in practice, PTA utilized its short term idle funds for placement with NBP, Treasury Branch, Karachi with a yield higher than that in NIDA accounts. Further, these placements were made after the approval from the Authority.

The reply was not acceptable as funds were invested in banks instead of its transfer to FCF. Further, interest on these investments does not fall under the category of sources of PTA as elaborated above.

The matter may be investigated to fix the responsibility for violation of rule and funds be transferred to FCF.

No progress was intimated till finalization of this report.

1.18 Unauthorized withdrawal from USF account - Rs 1,288.386 million and deposit in PTA Collection Account

According to Section 33 A (1) & (2) of Telecommunication (Re-organization) Act 1996, the Federal Government shall by notification in the official Gazette, establish a Fund to be called the Universal Service Fund hereinafter referred to as USF. "The USF shall be under the control of the Federal Government and therein shall be credited any sums of money mentioned under Sub Section 4". Further, the Federal Government shall have the power to administer the USF in such manner as may be prescribed. The USF shall be utilized exclusively for providing access to telecommunication services to people in the un-served, underserved, rural and remote areas and other expenditure to be made and incurred by the Federal Government in managing USF.

PTA management maintained bank account in the name of Universal Service Fund in National Bank of Pakistan. PTA

management withdrew an amount of Rs 1,288,386,237 from USF accounts and deposited it in PTA collection account NIDA-11 in violation of the above rule as per details below:

S. No.	Voucher No.	Date	Bank A/c No.	Description	Amount Rs
1	BP-11/227	22.11.2011	944-3	Transfer of funds from USF account to PTA collection account	1,120,184,449
2	BP-05/165	22.05.2012	22-8	-do-	142,321,769
3	BP-06/395	29.06.2012	22-8	-do-	25,880,019
TOTAL					1,288,386,237

It was replied in January 2013 that earlier USF bank account was a current account. PTA in order to efficiently manage its funds converted all bank accounts from current to NIDA to earn higher profits. Therefore, PTA current account 10944-3 (USF Account) was converted to NDIA 22-8 (USF Account) to ensure efficient utilization of funds with the approval of the Authority. Therefore, it was essentially needed to transfer the funds and no unnecessary withdrawal was made.

The reply was not acceptable as the US Funds were transferred to PTA collection account NIDA-11 for which PTA was not authorized.

Audit recommended that matter be investigated, fix responsibility for violation of rule and funds be transferred back to USF Account.

No progress was intimated till finalization of this report.

1.19 **Unauthorized payment on account of Legal Fee - Rs 5.108 million**

According to the Ministry of Law Justice & Human Rights letter No F-20/1/87/L.A dated 16.03.2007,” Where the fee paid to a counsel is more than Rs 100,000 approval of Ministry of Law, Justice and Human Rights will invariably be obtained by the organization before engaging the counsel. The failure to do so will render the engagement null and void and the fee involved will not be paid to the counsel.

Contrary to the above, PTA incurred an expenditure of Rs 5,107,500 on account of payment of legal fee during FY 2011-12. The fee paid was more than Rs 100,000 in each case on hiring of legal counsel but approval of Ministry of Law Justice & Human Rights was not obtained.

It was replied in January 2013 that the rules referred by audit does not apply to PTA. The Authority is empowered under section 10(1) to hire the services of a counsel/Advocate/Lawyer.

The reply was not acceptable as the ruling issued by Ministry of Law Justice & Human Rights is applicable on PTA. The issue of section 10 had already been decided by PAC that the Government rules are applicable on PTA besides their own rules & regulations.

Audit recommended that matter be investigated for fixation of responsibility for violation of rules besides regularization of expenditure from Ministry of Law Justice & Human Rights.

No progress was intimated till finalization of this report.

1.20 **Wastage of expenditure for conducting auction of third Generation License - Rs 16.649 million**

According to Ministry of Information & Technology IT&T Division wide letter No. 2-2/2007-Dir (W) dated 19th December, 2011,

policy directive for induction of 3rd Generation (3G) Mobile Services in Pakistan was given. In 38th meeting of FAB held on 16th January, 2012, Board also approved the auction of defunct license and 3G. The Prime Minister approved the auction of defunct license and 3G spectrum vide Cabinet Division letter No. 2/3/2010-RA-1/FAB dated 25.01.2012. Moreover, the Prime Minister approved the project timeline that the 3G Spectrum will be auctioned on 29.03.2012.

PTA incurred an expenditure of Rs 16,648,866 on account of Media Advertisement, Local Investors Conferences, World Radio Conference at Geneva and International Road Shows at Barcelona & Investors conference at Dubai during January 2012 to June 2012 for Third Generation (3G) auction. The auction Mobile Cellular License/Spectrum (3G/4G/LTE etc) was advertised before hiring of consultant. The expenditure was incurred on media campaign and Road Shows for auction of 3G License but the process of auction of 3G License had not been finalized up till now.

It was replied in January 2013 that the decision of Auction Supervisory Committee, the consultancy advertisement was published in the print media after publication of the auction advertisement. PTA on 3rd February, 2012 decided to hire the consultancy firm of international repute, leading to publication of advertisement in print national/international media as per Public Procurement Rules 2004.

The reply was not acceptable as huge expenditure was incurred on advertisement of third Generation but process of auction had still not been finalized.

Audit recommended that matter may be investigated to fix the responsibility for non-completion of job besides effecting recovery of loss.

No progress was intimated till finalization of this report.

1.21 **Wasteful expenditure on development of software - Rs 2.560 million**

According to clause 10.1 of agreement dated 24-03-2008 made between PTA and M/s ORA-Tech Systems (Pvt.) Ltd. regarding supply and implementation of Oracle E Business Suit and customized Software, the agreement shall remain in effect for a period of 08 months till completion of project. Further, clause 6.7 stipulates that Ora-Tech will also provide 10 months off-site support as a part of the requirement by PTA.

PTA made payment of Rs 2,560,000 to M/s Ora Tech Systems (Pvt) Ltd in September, 2009 for supply and implementation of Oracle E Business Suit and customized Software. The completion period was 8 months but the project had still not been completed and a huge expenditure had gone waste.

It was replied in January 2013 that Ex-Chairman and the Authority had been actively monitoring this project and were aware of the delays and held several meeting in this regard with the vendor and focal persons. The Authority approved the recommendation of the committee that the vendor be asked to return the amount paid so far with damages.

Audit recommended that matter be investigated to fix the responsibility besides the recovery of amount involved.

No progress was intimated till finalization of this report.

1.22 **Un-authorized advertisement of auction for 4G/LTE etc and less fixation of base price**

According to Ministry of Information & Technology (IT&T) Division letter No. 2-2/2007-Dir (W) dated 19th December, 2011, policy directive for induction of 3rd Generation (3G) Mobile Services

in Pakistan was given. In 38th meeting of FAB held on 16th January, 2012, Board also approved the auction of defunct Instaphone license and 3G. The Prime Minister approved the auction of defunct Instaphone license and 3G spectrum vide Cabinet Division letter No. 2/3/2010-RA-1/FAB dated 25.01.2012.

PTA invited Expression of Interest (EoI) with application for auction of Mobile Cellular License/Spectrum (3G)/(4G)/(LTE) etc. published in international newspapers. The Prime Minister, approved the auction of defunct license & 3G spectrum, MOIT issued the policy for the defunct license & 3G auction and Board also approved the auction of defunct license and 3G only but PTA published the auction of 4G/LTE etc without approval of the Prime Minister, MOIT and the Board. Moreover, the license for Mobilink, Warid, U-Fone, Telenor, CMPak Limited was previously auctioned in US\$ 291 million on 14.04.2004 but PTA fixed the base price of 3G/4G/LTE etc. of US\$ 210 million which was less than the lower quality license already auctioned.

It was replied in January 2013 that the current licensing regime in Pakistan was technology neutral. Secondly, regarding fixation of base price it is informed that US\$ 291 million in the year 2004 was the winning price of license whereas in the current scenario US\$ 210 million was the base price i .e. from where the auction is supposed to start”.

The reply was not acceptable as 4G/LTE were published for auction without approval and base price was fixed less than the already available auctioned price

Audit recommended that matter be investigated to fix the responsibility for violation of the rule.

No progress was intimated till finalization of this report.

1.23 **Loss due to non-auction of defunct license (Instaphone), 1.9 and 3.5 GHz frequency blocks**

Ministry of Information Technology (IT & Telecom Division) vide its letter No.2-2/2007-Dir (W) dated 19th December, 2011 directed PTA that, auction of defunct license (Instaphone), 1.9 and 3.5 GHz shall be announced. Further, in 38th meeting of FAB held on 16th January, 2012. Board approved the defunct license (Instaphone), 1.9 GHz and 3.5 GHz bands for auction. Further, Prime Minister approved the auction of defunct license vide Cabinet Division letter No. 2/3/2010-RA-1/FAB dated 25.01.2012.

Contrary to the above, PTA did not auction the license of defaulted Instaphone along with the allocated frequencies vacated from M/s Pakcom Limited, 1.9 GHz and 3.5 GHz frequency blocks. Resultantly, loss of millions of Rupees was sustained by PTA and National Exchequer. Further, people were deprived of the benefit of these frequencies.

It was replied in January 2013 that MoIT policy dated December 19, 2011 where they identified spectrum for Auction in 1.9 GHz as well as 3.5 GHz band. These spectrum bands were then approved by FAB in the light of Telecom Act. PTA prepared Information Memorandum (IM) and sought comments from MoIT before publishing IM on PTA web site. The process was initiated by advertisement and calling for applications EOIs for participation in the Auction. While, following the process of Auction, pre-bid conference was also held in March 2012, which was attended by a number of existing licensees. Due to declining revenue of fixed-wireless sector, PTA received only 2 x applications. One applicant PTCL requested the Authority to defer the submission of Bid Earnest Money and also postpone the auction process. Worldcall also requested MoIT and PTA to delay the auction. Due to lack of interest, PTA then sought MOIT decision. MoIT has now delayed the process of WLL auction till after

3G Auction is completed. In case of defunct license of Instaphone, PTA published the expression of interest (Eoi), in both national and international print media, inviting applications from prospective consulting firms of international repute. Criteria for short-listing of consultants were published on PTA website and all rules and regulations of the Public Procurement Regulatory Authority were followed in letter and spirit.

As per direction of Auction Supervisory Committee and approved by Prime Minister of Pakistan, PTA re-advertised the Eoi for Consultancy in national and International Newspapers in August 2012. Technical & Financial bids have already been received and the same are under process. After hiring of Consultancy Firm is completed, auction will be conducted in a fair and open transparent manner in presence of stakeholders and media.

The reply was not acceptable as available spectrums were not auctioned in spite of issuance of the policy from MOIT and its subsequent approval from the Board and directives of Prime Minister of Pakistan.

The matter may be investigated to fix the responsibility for non-auction of available frequency.

No progress was intimated till finalization of this report.

1.24 **Un-Authorized allocation of vehicles to non-entitled officers and expenditure on repair & POL - Rs 2.091 million**

According to Sl.No.6 of Finance Division (Regulations Wing) letter No.F.4(15)R.4/2004 (Pt) dated 7th September, 2009, conveyance allowance will be admissible @ 15% of the mean of the pay scales of the employees of PTA/FAB up to the level of officers in pay scales equivalent to BPS-19. Further, as per Cabinet Division instructions, the officers BPS- 19 are not entitled for official vehicles.

PTA allocated seven vehicles to officers of BPS-19 who were not entitled for vehicles. An expenditure of Rs 2,091,041 was incurred on account of repair & maintenance and POL charges on the vehicles allotted to non-entitled officers.

It was replied in January 2013 that PTA was a corporate body established under Pakistan Telecommunication (Re-organization) Act 1996 (amendment in 2006). As per Act Authority was empowered to formulate policies and regulations relating to administration and staff of the PTA. PTA had allocated vehicles to Directors (BPS-19) as per PTA transport Policy.

The reply was not acceptable as the vehicles were allotted to the non-entitled officer in violation of instruction of Cabinet and Finance Divisions.

The matter may be investigated to fix the responsibility for violation of rule and expenditure be got regularized from Finance Division.

No progress was intimated till finalization of this report.

1.25 Loss due to decrease of R&D rates retrospectively - Rs 175.347 million

According to section 33 C (4) of Pakistan Telecommunication (Re-organization), 1996, the Research and Development (R&D) shall consist of:-

- a) grants made by Federal Government;
- b) Prescribed contribution by licensees;
- c) loans obtained from the Federal Government; and
- d) grants and endowments received from other agencies.

Further according to License condition 3.4.1 of Long Distance International License and 3.3.1 of Local Loop License, the licensee shall make a contribution to Research and Development Fund established by the Federal Government in the amount calculated on the basis of 1% of the licensee's annual gross revenue.

The rates for contribution to R&D Fund were decreased from Rs 1% to Rs 0.5% with retrospective effect i.e. January, 2004 vide MOIT letter No. 9-1/2002-DT 11th April, 2012 due to which the minus balances of Rs 175,347,032 appeared under general ledger of R&D receivables. It was a loss to national exchequer due to decrease of rates retrospectively i.e. January 2004 and violation of the Act and license conditions.

It was replied in January 2013 that negative balance was showing because of the adjustment of R&D @ 0.5% as per MoIT policy Directive.

The reply was not acceptable as the retrospectively adjustment was violation of the Act and license conditions.

The matter may be investigated with a view to fix the responsibility besides effecting the recovery of loss.

No progress was intimated till finalization of this report.

1.26 Irregular transfer of WLL license and non-recovery of ILF and ISF - Rs 20.578 million

According to License condition 5.2.1 (b) & 4.1.1 of Local Loop License (LL). License issued under section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, the licensee shall only use the assigned radio frequency spectrum in its own operations, and it shall not lease, sub-license, allocate, assign or otherwise make

available the use of the assigned radio frequency spectrum to another. Further, the licensee shall pay the following fees to the Authority prior to the effective date

- a) Initial License fees US\$ 10,000/- or Pakistan Rupees. 580.000 for each licensed region identified in Appendix-I herein, and
- b) Initial Spectrum fees, the amount specified in Appendix-2 annexed herein.
- c) Application Fee for 14 WLL regions @ US\$ 500 each.

PTA management segregated the WLL Licenses of M/s Telecard based on spectrum allocation of 3.5 GHz licenses in all fourteen regions. The licenses of M/s Telecard 3.5 GHz were transferred to M/s Sharp communication (Pvt.) Ltd in May 2010. Further, the initial license fee, initial spectrum fee and application fee amounting to Rs 20,578,250 was not recovered from M/s Sharp Communication (Pvt.) Ltd. at the time of transfer of Licenses.

It was replied in January 2013 that M/s Telecard was awarded WLL licenses of 3.5 MHz in 2004 for all the 14 Telecom regions of Pakistan. Telecard met only the minimum basic rollout obligations and could not expand & provide services to public using its 3.5 GHz (WiMax) spectrum. PTA was not receiving fees/dues for 3.5 GHz operations from Telecard. M/s Telecard due to inability to run its business requested Authority to transfer its license with 3.5 GHz spectrum to M/s Sharp communication. The Authority considered the request for utilizing precious spectrum instead of blocking it for licensed period and an opportunity to recover outstanding dues of Rs 1.2 billion from Telecard, by making this transfer conditional to payment of outstanding dues.

Application fee is demanded once the new license or auction is processed and planned. The ISF (Auction Winning Price) is already paid by the licensee after the Auction in 2004 and cannot be demanded

separately in his licensed life. Hence, such fees are not applicable. The transfer licenses are covered under the existing statutory provisions and that on transfer of licenses, the spectrum being part of the license automatically gets transferred to licensee and there is neither any activity of lease, sale of rights of use of spectrum, nor assignment of spectrum by the licensee.

The reply was not acceptable as license was transferred in violation of the license condition. The ownership of the license has been changed without recovery of Rs 1.2 billion as agreed for the transfer of license. Moreover, necessary dues were also not recovered at the time of transferred of license.

The matter may be investigated to fix the responsibility for violation of rule and effecting the recovery of loss.

No progress was intimated till finalization of this report.

1.27 Unauthorized payment of Proficiency Incentive (Honorarium) to officers BPS 19 & above - Rs 8.223 million

According to the Economic Coordination Committee's decision circulated by the Finance Division vide O.M No.F-2(2)R-4/95 dated 22nd June, 1995 duly confirmed vide U.O No. O.M No. 4(2)/R-99 dated 12th January, 2005, & according to Sl No. 17 to Annexure-I of Finance Division O.M.No. F.3 (2)Exp-III/2006 dated 13.09.2006 of System of Financial Control & Budgeting, the honorarium is admissible up to the level of section officer and equivalent. The amount of honorarium is equal or less than his *one month's basic pay*.

PTA management paid Proficiency Incentive /honorarium more than one month gross pay amounting to Rs 8,223,010 to the officer of BPS 19 & above in violation of above rule.

It was replied in **January 2013** that as per clause 3(8) of Telecom Act and the **Ministry of Law & Justice** through its opinion dated June 29, 2011 clarified that in matters relating to section 10(3) of the PTA Act, PTA is not only self competent but legally allowed/empowered to issue regulations for appointment, promotion, termination and other terms and conditions of employment of its employees without any prior or post facto approval of the Federal Government, Establishment Division or Finance Division under the provisions of the Act. As per PTA Employees Service Regulations 2008 “The Chairman may grant proficiency allowance (s) based on the performance of all officers/ Employees on recommendations of the reporting officer.

The reply was not acceptable as per instruction of Finance Division proficiency incentive was not allowed to officers BPS-19 and above.

The matter may be investigated to fix the responsibility for violation of rule and expenditure be got regularized from the Finance Division.

No progress was intimated till finalization of this report.

1.28 Unauthorized handing over of Government vehicles

According to the approval of the then Administrative Ministry (Ministry of Communication), the officer of Grade 20 and above on normal retirement are entitled for vehicles on book value on the pattern of PTCL. The officers on deputation, move-over or contract are ineligible for vehicle on book value.

PTA allotted three (03) vehicles to its three officers despite pointing out in Audit Report 2008-09 and displeasure of the PAC in its

meeting held on 16th June, 2011. The said officers retired from service. The officers did not return the vehicles after retirement from the PTA service. But vehicles were still under their control and not handed over to PTA. The detail is as under:-

S. No.	Vehicle No.	Model	Name of Officers	Date of retirement
1	GA-234	Honda VTI 2004	Ex-Chairman	23.07.2012
2	GD-398	Toyota Corola 2005	Ex-DG (Law)	15.08.2011
3	GA-963	Toyota Corola 2004	Ex-DG (TS)	01.12.2008

It was replied in January 2013 that in pursuance of the decision of Authority, taken in its 99th Meeting held on 28 March, 2000 and clause 18 of PTA Transport Policy “Entitlement for purchase of official vehicle on retirements at book value”. Director General’s, Members and Chairman are eligible for the purchase of a vehicle on retirement at book value.

The reply was not acceptable as the policy for handing over of vehicle was on normal retirement on book value. Furthermore, the policy regarding handing over of Government vehicle on normal retirement was not approved from competent forum.

The matter may be investigated to fix the responsibility for violation of rule and policy be got regularized from the Finance Division.

No progress was intimated till finalization of this report.

1.29 Irregular expenditure on media campaign through International media without competitive bidding - Rs 11.221 million

According to Ministry of Information & Broadcasting Islamabad letter No. 5 (1)/2011-EP (proj) dated 04.01.2012, NOC for publication of advertisement on ‘ Expression of Interest’ in

international media with condition that the rates should be competitive and the lowest. Further, as per SI No. 44 to Annexure-I of Finance Division O.M.No. F.3 (2)Exp-III/2006 dated 13.09.2006 of System of Financial Control & Budgeting, advance payment to other government department and government owned/controlled organizations, be made, in exceptional cases only.

Contrary to the above, PTA incurred an exp

enditure of Rs 11,220,810 on account of payment to Advertising Agencies for international advertisement for auction of 3G. The competitive rates were not obtained for publication of advertisement on 'Expression of Interest' in international media for healthy competition. Further, advance payment was made to Advertising Agencies in contravention of above rule.

It was replied in January 2013 that the publication of advertisement on "Expression of Interest" in international media was made on competitive rates. In this regard quotation was called and rates from three out of four advertising agencies were received. Besides from PTA's prequalified advertising agencies, two advertising agencies/firms of international repute participated in this process and gave their quotation.

The reply was not acceptable as competitive rates were not obtained through international advertisement. Moreover, advance payment was made to Advertising Agencies.

The matter may be investigated to fix the responsibility for violation of rule.

No progress was intimated till finalization of this report.

1.30 Unauthorized withdrawal from main collection account - Rs 12,714.017 million

According to section 12 of Pakistan Telecommunication (Re-organization) Act 1996, the Authority shall, in respect of each financial year, prepare its own budget and submit to the Federal Government three months before the commencement of every financial year for information

Further according to clause 5 & 10 of PTA Accounting procedure approved by CGA, the collections on account of License fee, Annual Royalty from companies and other fee fines etc on behalf of PTA shall be received in collection Account opened at National Bank of Pakistan, main branch, civic centre, Islamabad. The cheques, bank drafts, payment orders etc should be deposited in the main collection account within 24 hours, if received with PTA directly. No unit or an individual was authorized to receive or collect the revenue in cash. Neither any withdrawal can be made from the collection accounts by DDOs.

PTA incurred an expenditure of Rs 12,714,017,023 from collection account NIDA-11 on account of payment of income tax to FBR, transferred to CPF employee's account, transferred to treasury gratuity account etc. The payments were made from collection account instead of DDO account against the approved budget.

It was replied in January 2013 that payments were made after the approval from the Authority. Furthermore, monthly CPF payment from NIDA 11-1 was discontinued from October, 2011 and after that all such payments were made from PTA DDO Account. For Gratuity Account the advice of the Government Audit is noted for future compliance.

The reply was not acceptable as the huge amount was withdrawal from the collection account for disbursement.

The matter may be investigated to fix the responsibility for violation of rule.

No progress was intimated till finalization of this report.

1.31 Irregular expenditure on account of payment of cash reward - Rs 30.280 million

According to the Finance Division (Regulation Wing) OM No.F.4 (15)/R-4/04 dated 17th January, 2007 all the existing allowances shall be merged with the new basic pay, hence would cease to be admissible upon introduction of new scales except those allowances, which have been shown in the New Pay Scales, or any other allowance, which the competent authority may approve from time to time, with the concurrence of Finance Division.

Contrary to the above, PTA management paid an amount Rs 30,279,533 on account of cash reward/Eid incentive equal to one month gross pay including 50% adhoc allowance 2010 to the officers/officials on Eid-ul-Fitar 2011.

It was replied in January 2013 that as per clause 3(8) of Telecom Act and the Ministry of Law & Justice through its opinion dated June 29, 2011 clarified that in matters relating to section 10(3) of the PTA Act, PTA is not only self competent but legally allowed/empowered to issue regulations for appointment, promotion, termination and other terms and conditions of employment of its employees without any prior or post facto approval of the Federal Government, Establishment Division or Finance Division under the provisions of the Act. As per PTA Employees Service Regulations

2008, all Employees having a minimum of thirty days service as on 1st Ramzan of the year shall be entitled, every year, to Eid-ul-Fitr allowance equivalent to one or multiple of the last drawn basic pays of the Employee.

The reply was not acceptable as cash reward was not approved in pay package. PTA Employees Service Regulations 2008 were not approved from the competent forum.

The matter may be investigated to fix the responsibility and expenditure be got regularized from the competent authority.

No progress was intimated till finalization of this report.

1.32 **Unjustified payment of Proficiency Incentive (Honorarium) - Rs 2.018 million**

According to the Economic Coordination Committee's decision 25th June, 1996 duly confirmed vide U.O dated 1st July, 1996, & according to Sl No. 17 to Annexure-I of Finance Division O.M.No. F.3 (2)Exp-III/2006 dated 13.09.2006 of System of Financial Control & Budgeting, the honorarium is admissible up to the level of section officer and equivalent. The amount of honorarium is equal or less than his **one month's basic pay**.

Contrary to the above PTA paid amount of Rs 2,018,124 on account of Proficiency Incentive (honorarium) of the 50% Adhoc Relief Allowance 2010. The payment of incentive (honorarium) on inclusion of 50% adhoc relief allowance was not justified.

It was replied in January 2013 that as per clause 3(8) of Telecom Act and the Ministry of Law & Justice through its opinion dated June 29th, 2011 clarified that in matters relating to section 10(3) of the PTA Act, PTA is not only self competent but legally

allowed/empowered to issue regulations for appointment, promotion, termination and other terms and conditions of employment of its employees without any prior or post facto approval of the Federal Government, Establishment Division or Finance Division under the provisions of the Act. PTA pay package was approved by Finance Division, provides under paragraph 2(2) as, "Other perquisites and fringe benefits like official vehicles, indoor medical facility, Hospitalization, TA/DA, leaves etc., shall be governed under the relevant PTA regulations and welfare schemes."

Finance Division, Govt. of Pakistan, vide O.M No. F.4(15)R-4/2004 dated 23rd June, 2011, approved grant of adhoc allowance-2010 @ 50% of basic pay to the executive / supervisory staff of PTA with effect from 01.07.2010 .The inclusion / payment of 50% increase in the salaries of employees, arrears of incentive were also paid.

The reply was not acceptable as Proficiency Incentive (honorarium) was admissible on basic pay and was not allowed on allowances.

The matter may be investigated to fix the responsibility for violation of rule and expenditure be got regularized from the Finance Division.

No progress was intimated till finalization of this report.

1.33 Irregular expenditure on account of payment of Personal Disturbance Pay - Rs 2.089 million

According to the Finance Division (Regulation Wing) OM No.F.4 (15)/R-4/04 dated 17th January, 2007, all the existing allowances shall be merged with the new basic pay, hence would cease to be admissible upon introduction of new scales except those allowances, which have been shown in the New Pay Scales, or any

other allowance, which the competent authority may approve from time to time, with the concurrence of Finance Division. Further, Finance Division letter No. F.4 (15) R.4/2004 (pt) dated 7th September, 2009, the basic pay of an employee in service on 30.06.2005, 30.06.2007 & 30.06.2008 respectively shall be fixed in revised pay scale on point to point basis i.e. at the stage corresponding to that occupied by him above the minimum of 2004, 2005 & 2007 pay scales.

PTA management paid an amount of Rs 2,089,061 to the officers/officials on account of Personal Disturbance Pay during FY 2011-12. The Personal Disturbance Pay was not approved in the pay package approved for PTA and it was over and above the pay fixed on 2008. Moreover, PTA did not fix the pay on point to point basis according to criteria of pay fixation.

It was replied in January 2013 that in term of Section 3(ii) of the Finance Division letter dated 7th September, 2009, the Personal Pay being drawn by an employee as part of his pay beyond the maximum of his scale on 30th June, 2005, 30th June, 2007 and 30th June, 2008, he will continue to draw such pay in the Revised Pay Scales, 2005, 2007 & 2008 at the revised rates.” It was further replied that difference shifted to Personal Pay because the package was implemented on the basis of no loss no recovery. The balance of personal pay in each case had been reducing with the grant of every annual increment. In other words the loss caused to employee due to re-fixation was not protected and staggered on the number of years until the balance of personal pay becomes zero.

The reply was not acceptable as the package was not implemented on the basis of no arrear no recovery. The fixation was not made on point to point basis according to criteria given by the Finance Division. Moreover, personal disturbance pay was not approved in pay package.

The matter may be investigated with a view to fix the responsibility for violation of rule and expenditure be got regularized from the Finance Division or be recovered from the concerned staff.

No progress was intimated till finalization of this report.

1.34 Irregular expenditure without approval of Finance Division and supporting documents - Rs 14.840 million

As per Finance Division (Regulation Wing) OM No.F.4 (15)/R-4/04 dated 17th January, 2007 all the existing allowances shall be merged with the new basic pay, hence would cease to be admissible upon introduction of new scales except those allowances, which have been shown in the New Pay Scales, or any other allowance, which the competent authority may approve from time to time, with the concurrence of Finance Division. Further, Clause 9 of PTA Accounting Procedure approved by CGA, the payments against claims shall be made by the DDO by a crossed cheque. No claim/bill shall, however, be processed for payment unless it is (a) on a proper format, (b) supported with sanction of the competent authority; and (c) pre-audited by the Accountant, in the light of prescribed rules. The deductions/recoveries where due shall be made as under before the payments are made.

PTA Management paid an amount of Rs 14,840,361 to its officers on account of payment of POL, Newspaper and Entertainment charges which were not approved in the PTA pay package. Further, the payment was made to the officers without obtaining supporting documents i.e. bill/invoice, sanction of the competent authority and pre-audit during FY 2011-12 despite pointing out in previous Audit Report. The expenditure without production of the bill and sanction of competent authority was not covered by any rule.

Detail is as under:

S.No	Head of Account	Description	Amount (Rs)
1	44114	Fuel, Petrol Oil & Lubricants	5,307,649
2	44314	Newspaper & Periodicals	4,868,356
3	41324	Entertainment Charges	4,664,356
TOTAL			14,840,361

It was replied in January 2013 that as per clause 3(8) of Telecom Act and Ministry of Law & Justice through its opinion dated June 29, 2011 clarified that in matters relating to section 10(3) of the PTA Act, PTA was not only self-competent but legally allowed/empowered to issue regulations for appointment, promotion, termination and other terms and conditions of employment of its employees without any prior or post facto approval of the Federal Government, Establishment Division or Finance Division under the provisions of the Act. PTA's pay package approved by Finance Division, provides that other perquisites and fringe benefits like official vehicles, indoor medical facility, Hospitalization, TA/DA, leaves etc., shall be governed under the relevant PTA regulations and welfare schemes. In pursuance of the above referred powers vested with PTA and provisions of Finance Division, POL, Newspaper & Entertainment Charges were monetized for the PTA employees.

The reply was not acceptable as payments were part of pay and allowances and not approved in pay package. The allowances were not perquisites and fringe benefits. Moreover, payments were made without obtaining supporting documents.

It is recommended that matter may be investigated for facts finding and fixation of responsibility besides regularization of expenditure from Finance Division otherwise recovered from the concerned.

No progress was intimated till finalization of this report.

1.35 **Irregular grant of extra allowances and financial benefits - Rs 22.232 million**

According to the Finance Division (Regulation Wing) OM No.F.4 (15)/R-4/04 dated 17th January, 2007 all the existing allowances shall be merged with the new basic pay, hence would cease to be admissible upon introduction of new scales except those allowances which have been shown in the New Pay Scales, or any other allowance, which the competent authority may approve from time to time with the concurrence of Finance Division. Further, other perquisites and fringe benefits like official vehicles, indoor medical facility, Hospitalization, TA/DA, leaves etc., shall be governed under the relevant PTA regulations and welfare schemes. Moreover, as per SI No 6 of Finance Division (Regulations Wing) letter No. F.4 (15) R.4/2004 (Pt) dated 7th September, 2009, conveyance allowance will be admissible @ 15% of the mean of the pay scales of the employees of PTA/FAB up to the level of officers in pay scales equivalent to BPS-19. Moreover, orderly allowance has been fixed as Rs 3,000/pm by the Finance Division vide OM No F-1(13) imp/96 dated 19.10.2007.

PTA management paid extra allowances and financial benefits amounting to Rs 22,231,652 to its officers including deputationists without approval from the competent forum during FY 2011-12 in violation of the above. Detail is as under:

S.No	PDP No	Description	Amount (Rs)
01	455-13	Recreation Leave Salary	9,837,135
02	-do-	Qualification Incentive	2,438,113
03	-do-	General Purpose Loan	962,035
04	469-13	Canteen Employer Share	1,476,714
05	466-13	Car Allowance	6,664,784
06	475-13	Orderly allowance	852,871
TOTAL			22,231,652

It was replied in January 2013 that as per clause 3(8) of Telecom Act, "The powers of the Authority in the matters relating to its administration and the staff of the Authority shall be exercised by the Chairman". Ministry of Law & Justice through its opinion dated June 29, 2011 clarified that in matters relating to section 10(3) of the PTA Act, PTA is not only self accounting entity but legally allowed/empowered to issue regulations for appointment, promotion, termination and other terms and conditions of employment of its employees without any prior or post facto approval of the Federal Government, Establishment Division or Finance Division under the provisions of the Act. PTA pay package was approved by Finance Division, provides under paragraph "Other perquisites and fringe benefits like official vehicles, indoor medical facility, Hospitalization, TA/DA, leaves etc., shall be governed under the relevant PTA regulations and welfare schemes."PTA is empowered to formulate welfare schemes for its employees and may grant many other perquisites and fringe benefits under PTA Regulations. Rest & recreation Allowance, Qualification Incentive, General Purpose Loan, Canteen Employer Share and Car Allowance are covered under PTA Employees Service Regulations, 2008.

The reply was not acceptable as the Recreation Leave Salary and General Purpose Loan, Canteen Employer Share and Car Allowance were granted in violation of the Finance Divisions instructions. The schemes were not approved from the competent forum even from the Administrative Ministry. As regards Qualification incentive, it is not welfare allowance but part and parcel of the pay as a regular allowance. These allowances were not approved from the Finance Division. The officers of BPS-19 were entitled only for conveyance allowance instead of car allowance.

The matter may be investigated with a view to fix the

responsibility and expenditure be got regularized from Finance Division.

No progress was intimated till finalization of this report.

1.36 **Irregular appointments/promotions in BPS-20**

In response of Cabinet Division's O.M. No. 5/2/2003-RA-I/PTA, dated the 22nd September, 2004 regarding "PTA Employees Service Regulations" Establishment Division clarified vide its letter No.6/5/98-R.3 dated 11th October, 2004 that in the interest of uniformity, appointments to posts in BPS-20 and above in the autonomous bodies under the Federal Government are required to be made in accordance with this Division O.M.No 6/4/96-R.3, dated 10.05.1997 i.e. appointment to the post of Member (Finance), Director (Finance) or the Chief Finance Officer in any autonomous/semi-autonomous body irrespective of the designation shall be made with the approval of the Prime Minister/Chief Executive in case the post is in BS-20, equivalent or above. Further, all appointments approved by the President or the Chief Executive/Prime Minister shall be notified by the Establishment Division.

Contrary to the above, PTA appointed/ promoted seven officers in BPS-20 as Director General with the approval of Chairman PTA. The approval of Chief Executive/Prime Minister was not obtained for these appointments/promotions. Moreover, the appointments were not notified by Establishment Division.

It was replied in January 2013 that under Section 3 (8) of Pakistan Telecommunication (Re-Organization) Act, 1996, the powers of the Authority in the matters relating to its administration and the staff of the authority shall be exercised by the Chairman. The Ministry of Law and Justice, clarified that in matters relating to Section 10 (3) of the PTA Act, PTA is not only self-competent but legally allowed /

empowered to issue regulations for appointment, promotion, termination and other terms and conditions of employment of its employees without and prior or post facto approval of the Federal Government, Establishment Division or Finance Division under the provision of the Act. In accordance with the PTA Employees Services Regulation, 2008 powers for appointment / promotion to SEG-1 and below rests with the Chairman. The appointment / promotion covered under PTA Employees Service Regulations, 2008.

The reply was not acceptable as the Establishment Division clarified the criteria for appointments to posts in BPS-20 and above. The PTA Employees Service Regulations, 2008 were not approved by the Establishment Division.

The matter may be investigated to fix the responsibility for violation of rule and appointments of SEG-1 (BPS-20) be got approved from Prime Minister.

No progress was intimated till finalization of this report.

1.37 Non deduction on account of Benevolent Fund and Group Insurance from the staff of PTA - Rs 1.049 million

According to Para 9(ii) & (iii) of PTA Accounting procedure approved by CGA, Group insurance shall be deducted from the salaries of the officers in BPS-16 & above at the rate prescribed by the federal government from time to time. Benevolent fund shall be deducted from the salaries of all PTA employees in BPS-1 to BPS-22 at the rate prescribed by the Federal Government.

PTA did not deduct of Rs 1,048,632 on account of Benevolent Fund and Group Insurance from the pay of officers/officials of PTA during 2011-12. Further, the staff of PTA was deprived off benefits of the Group Insurance and Benevolent fund schemes.

It was replied in January 2013 that since the PTA had no policy/scheme on the Benevolent Fund (BF), therefore no deduction of BF was recovered from the salaries of PTA employees. The Scheme of Group Life Insurance was covered under PTA Employees Service Regulations 2008, in this connection; PTA had engaged State Life Insurance Corporation (SLIC) for the provision of Group Life Insurance to PTA. The agreement between PTA and SLIC had been signed.

The reply was not acceptable as Scheme of Group Life Insurance was not approved from the competent authority. However, scheme of Benevolent Fund and Group Insurance have been approved in Accounting Procedure.

The matter may be investigated to fix the responsibility for violation of rule and needful be done.

No progress was intimated till finalization of this report.

CHAPTER-2

FREQUENCY ALLOCATION BOARD

FREQUENCY ALLOCATION BOARD

2.1 Introduction

Frequency Allocation Board (FAB) was established on 1st January, 1996 under the Pakistan Telecommunication (Re-organization) Act, 1996. FAB has been placed under the administrative control of the Cabinet Division and is funded by PTA. Its accounts are audited by the Auditor General of Pakistan under the provision of Section 42 of Telecom Re-Organization Act 1996. It is managed by a Board which is appointed by the Government of Pakistan and is guided by the applicable recommendations of the International Telecommunication Union. Its main functions are as under:

- To allocate and assign frequency spectrum to the Government providers of telecommunication services and telecommunication systems, radio and television broadcasting operations, public and private wireless operators and others.
- To monitor the sphere and determine illegal users of Frequencies and report to PTA for action under the Act.

2.2 COMMENTS ON BUDGET AND ACCOUNTS

FAB management did not provide the annual audited accounts till the finalization of the report despite continuous pursuance by audit. Hence, no comments on accounts could be offered.

2.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

CABINET DIVISION FAB

S.No	Audit Year	Total Paras	Total No of Directives	Compliance received	Compliance not received	%age
1	1997-98	02	02	02	00	100
2	1998-99	05	05	05	00	100
3	1999-00	04	04	04	00	100
4	2000-01	03	03	02	01	67
5	2002-03	08	08	07	01	88
6	2003-04	05	05	04	01	80
7	2004-05	05	05	04	01	80
8	2005-06	10	10	07	03	70
9	2006-07	02	02	0	02	0
10	2008-09	06	06	01	05	17

AUDIT PARAS

2.4 Irregular purchase of new vehicles for B-19 officer - Rs 2.835 million

According to Sl.No.6 of Finance Division (Regulations Wing) letter No. F.4 (15) R.4/2004 (Pt) dated 7th September, 2009, conveyance allowance will be admissible @ 15% of the mean of the pay scales of the employees of PTA/FAB up to the level of officers in pay scales equivalent to BPS-19. Further, as per Cabinet Division instructions, the officers BPS- 19 are not entitled for official vehicles.

FAB management purchased three (03) Suzuki Cultus Cars 1000 CC of Rs 2,835,000 for the Directors (B-19) during FY 2011-12. The purchase of vehicles were stands irregular being for non-entitled officers.

It was replied in January 2013 that purchase of 3 x Suzuki cultus Cars 1000 CC for Directors as per provision of entitlement and allocation of Official vehicle had been approved / provided in Chapter No.4 of the FAB Employees Service Regulations-2007.

The reply was not acceptable as per government directives the Directors (B-19) were not entitled for vehicles.

The matter may be investigated and responsibility for violation of the rule be fixed and expenditure be got regularized from the competent authority.

No progress was intimated till finalization of this report.

2.5 Irregular payment on account of cash reward-Rs 9.580 million

According to the Finance Division O.M No.F-8(5)R-12/80 (R-14)/2002-154 dated 18th March, 2002, the payment of cash reward/bonus to the employees by the corporations, autonomous/semi-

autonomous bodies could not be made as customary but it would be on the basis of profit earned and as reflected in the annual audited accounts of the organization. Further, Managing Directors and Members of Board of Directors would not be entitled to receive bonus. The minutes of meeting of the Inter Ministerial Committee held on 27-11-2008 issued by the Cabinet Division vide No.3/3/2006-RA-I/PTA clearly states that all Corporations, Autonomous Bodies etc are bound to follow Government policies/ guidelines issued from time to time.

Contrary to the above FAB management paid an amount of Rs 9,579,778 on account of cash reward during FY 2011-12 to the staff. The FAB management neither prepared any estimates for receipt nor received any amount therefore, the payment was unjustified and required the approval of Finance Division.

It was replied in January 2013 that FAB was an autonomous organization and was not in receipt of any revenue (Spectrum fee) from any Telecom Operators therefore, to gauge, the yearly profit in absence of revenue receipts was not possible. FAB was directly funded by PTA, therefore, reference made by the Audit of Minutes of the meeting Inter Ministerial Committee and Finance Division dated 18th March, 2002 were not applicable to FAB because FAB was not in receipt of any grant / funding from GOP. Further, FAB Employees Service Regulation 2007, contained separate provision for payment of Cash Reward, on the eve of Eid-ul-Fitr. Payment of Cash Reward to FAB employees was made strictly in pursuance of approved Pay Package and FAB Employees Service Regulation-2007 and requisite funds were provided in FAB's approved Budget Estimates 2011-12.

The reply was not acceptable as the cash reward was not approved in pay package. Moreover, the payment of cash reward was made without the approval of the Finance Division.

The matter may be investigated, responsibility for violation of rule **be fixed** and expenditure be got regularized from Finance Division.

No progress was intimated till finalization of this report.

2.6 **Irregular payment on account of newspaper charges & entertainment allowance - Rs 2.011 million**

According to the Finance Division (Regulation Wing) O.M No.F.4(15)R-4/04 dated 17th January, 2007 all the existing allowances shall be merged with the new basic pay, hence would cease to be admissible upon introduction of new scales except those allowances, which have been shown in the New Pay Scales, or any other allowance, which the competent authority may approve from time to time, with the concurrence of Finance Division.

Contrary to the above, FAB incurred an expenditure of Rs 2,010,795 on account of payment to the officers for newspaper charges & entertainment allowance which were not approved in pay package 2007. The payment was made without production of supporting documents i.e. bill/invoice, sanction of the competent authority and pre-audit during FY 2011-12. The expenditure without approval of Finance Division and production of the bill was not covered any rule.

It was replied in January 2013 that the Finance Division (Regulation Wing) letter dated 26th August, 2008 extended PTA's pay package, perquisites, facilities and staff retiring benefits to FAB Employees and also approved in notification that all other perquisites and fringe benefits like official vehicles, in / outdoor Medical facility, Hospitalization, TA/DA, Leaves. PTA introduced scheme of Newspaper Charges and Entertainment for its officers and FAB in pursuance of respective approval of Finance Division and relevant

provision of the FAB Employees Service Regulation -2007 extended News paper Charges and Entertainment to entitled Officers strictly in line with the policies of PTA.

The reply was not acceptable as the FAB regulations and pay package were approved in line with PTA which states that the other fringe benefits shall be governed under the PTA regulations and welfare schemes whereas the policies / regulations of PTA had not been approved so far by the competent forums. Hence, the payment in line with PTA stands irregular due to in contravention to the Finance Divisions instructions. Further, PAC while discussing the Audit Report 2008-09 directed to get approve the regulations from the competent forums. Hence, expenditure may be got regularized from competent forum.

The matter may be investigated, responsibility for violation of rule be fixed and expenditure be got regularized from Finance Division.

No progress was intimated till finalization of this report.

2.7 Unjustified payment of proficiency incentive (honorarium) and cash reward - Rs 2.255 million

According to FAB Employees Service Regulations notified vide S.R.O. 1024(1)/2007, cash reward & honorarium/proficiency incentive could be basic pay, multiple of the basic or proportionate of basic to the employees in basic pay scales 1 to 22 shall be admissible with the approval of Executive Director.

Contrary to the above, FAB management paid Rs 2,254,998 during FY 2011-12 on account of Proficiency Incentive (honorarium) and cash reward which were made of the difference of the 50% adhoc

allowance 2010. The payment of difference of the allowance was held irregular/unauthorized.

It was replied in January 2013 that FAB Employees Service Regulations 2007, contains a separate provision for payment of Proficiency Incentive (Honorarium), and Cash Reward to the FAB employees which could be basic salary multiple of basic and proportionate of basic but strictly in line with the policy of PTA on the subject. Finance Division approved payment of 50% adhoc allowance for the employees of FAB & PTA in July 2010. PTA Management / Authority approved payment of arrear of Proficiency Incentive (*Honorarium) and Cash Reward to its employees.

The reply was not acceptable as FAB Employees Service Regulations stated that cash reward & honorarium/proficiency incentive could be basic pay, multiple of the basic or proportionate of basic to the employees.

The matter may be investigation, responsibility for violation of rule be fixed and expenditure be got regularized from Finance Division otherwise be recovered from the concerned.

No progress was intimated till finalization of this report.

2.8

Irregular payment on account of car allowance, qualification incentive and recreation leave amounting - Rs 6.576 million

According to the Finance Division (Regulation Wing) O.M. No.F4 (15) R-4/04 dated 17th January, 2007 & No F.4 (15) R.4/2004 (pt) dated 7th September, 2009, all the existing allowances shall be merged with the new basic pay, hence would cease to be admissible upon introduction of new scales except those allowances, which have been shown in the New Pay Scales, or any other allowance, which the competent authority may approve from time to time, with the

concurrence of Finance Division. Further, as per Sl.No. 6 of Finance Division (Regulations Wing) letter No. F.4 (15) R.4/2004 (Pt) dated 7th September, 2009, conveyance allowance will be admissible @ 15% of the mean of the pay scales of the employees of PTA/FAB up to the level of officers in pay scales equivalent to BPS-19.

FAB management paid extra allowances and financial benefits amounting to Rs 6,575,811 to its officers including deputationists & contract employees without approval from the competent forums during FY 2011-12 in violation of the above. The officers in BPS-19 were entitled for the conveyance allowance @ Rs 9,792 per month instead of car allowance of Rs 35,000 per month. Further, these allowances were not approved in pay package. Detail is as under:

S.No	Description	Amount (Rs)
01	Car Allowance	2,236,341
02	Qualification Incentive	582,500
02	Recreation Leave	3,756,970
TOTAL		6,575,811

It was replied in January 2013 that Finance Division dated 17th January, 2007, extended PTA's pay package, perquisites, facilities and staff retiring benefits to FAB Employees. Payment of car allowance @ Rs 35,000 per month is being made only to those Officers who availed car loan /advance facility, and surrendered their official allotted vehicles, facility of Official Drivers, Conveyance Allowance and bear repair / maintenance charges under this scheme. Therefore, payment of car allowance & Qualification incentive scheme was made strictly in line with the policies of PTA as approved by the Finance Division and in FAB Employees Service Regulations. However, Qualification Incentive Scheme had been discontinued in line with the policy of PTA on the subject.

The reply was not acceptable as car allowance, qualification

incentive and recreation leave were not approved in pay packages of FAB/PTA and the adoption of un-approved allowances of PTA, and making of payment on this account was in violation of the Financial Rules and instructions of the Finance Division issued time to time.

The matter may be investigated, responsibility for violation of rule be fixed and expenditure be got regularized from Finance Division.

No progress was intimated till finalization of this report.

2.9 **Unauthorized payment of proficiency incentive (honorarium) - Rs 3.029 million to the officers BPS 19 and above**

According to the Economic Coordination Committee's decision circulated by the Finance Division vide O.M No.F-2(2)R-4/95 dated 22nd June, 1995 duly confirmed vide U.O No. O.M No. 4(2)/R-99 dated 12th January, 2005, & according to Sl No. 17 to Annexure-I of Finance Division O.M.No. F.3 (2)Exp-III/2006 dated 13.09.2006 of System of Financial Control & Budgeting, the honorarium is admissible up to the level of section officer and equivalent. The amount of honorarium is equal or less than his *one month's basic pay*

FAB management paid Rs 3,028,584 on account of Proficiency Incentive (Honorarium) on gross pay during 2011-12 to the officers of BPS 19 and above in contravention of above rule.

It was replied in January 2013 that FAB is an autonomous organization and directly funded by the PTA. Therefore, decision of the Economic Coordination Committee's is not applicable to the FAB. It was further submitted that FAB Employees Service Regulation 2007, contained separate provision for payment of Honorarium/ Proficiency Incentive. Payment of Honorarium / Proficiency to FAB

employees was made strictly in pursuance of approved Pay Package and FAB Employees Service Regulation-2007. Requisite funds were also provided in FAB's approved Budget Estimates 2011-12.

The reply was not acceptable as the payment of Proficiency Incentive (Honorarium) to the officers B-19 and above was not approved in pay package and from the competent authority.

The matter may be investigated, responsibility for violation of rule be fixed and expenditure be got regularized from Finance Division.

No progress was intimated till finalization of this report.

2.10 Loss due to non-receipt of annual spectrum fee from PEMRA

According to 36th Board Meeting of Frequency allocation Board held on 25th March 2010 it was unanimously decided that *“PEMRA to remit share of FM Channels spectrum auction fee with reference to FAB. Cabinet Division will resolve the formalities”*. Further, a clarification from Ministry of Law, Justice & Parliamentary Affairs dated 15th July 2011 conveyed by Cabinet Division vide letter No 5/72010 RA-I/FAB dated 25th July 2011 that under the De-regulation Policy 2003, framed under the Act, 1996 entities using spectrum shall be charged a fee for Spectrum and the fee will be approved by the Government and will be recovered by FAB from users of frequency Spectrum. The PTA has no power to grant license or spectrum auction for broadcasting service. It is relevant that FAB is providing service to PTA and PEMRA and in that eventuality too the spectrum fee and bid money should go to the FAB. The Government policy thus clearly empowers FAB to recover the FM channels spectrum fee, from the licensees.

Contrary to the above, FAB management allocated frequencies for 42 FM licenses during FY 2011-12, the same were auctioned by the PEMRA but spectrum auction fee along with annual spectrum fee was not remitted to FAB by PEMRA, resulting millions of rupees of loss to the FAB.

It was replied in January 2013 that PEMRA had conducted auction of the FM licenses and had forwarded applications of successful bidders to FAB for frequency assignment. The details of auction of FM licenses are not held with this office, as the same was not shared with FAB HQs. The matter has already been taken up with PEMRA. However, PEMRA has refused to accept the position of FAB

The reply was not acceptable as per Government Policy and clarification of Law & Justice & Parliamentary Affairs, FAB is empowered to receive spectrum fee and bid money from PEMRA etc. The effective steps are required to be taken to resolve the issue.

The matter may be taken up with concerned quarter and recovered the share of FAB from PEMRA.

No progress was intimated till finalization of this report.

2.11 Loss due to use of 3G spectrum by NHA without obtaining license

Section 31(1) (n) 2 of the Pakistan Telecommunication (Re-organization) Act, 1996 makes unauthorized use of the radio spectrum, an offence specified in sub-section (1) shall be punishable with imprisonment, which may extend to three years, or with fine which may extend to ten million rupees, or with both. Further, clauses 4.4.1& 5.8 of Mobile Cellular Policy 2004 of IT and Telecommunication Division, the Frequency Allocation Board is responsible for properly managing radio spectrum. The FAB is clearing the 3G spectrum and will complete this task by the end of

2005. Thereafter, spectrum in the 3G Bands of 2100 MHz will be made available for auction.

Contrary to the above NHA utilized frequencies in the 1900 MHz - 2100 MHz band (3G) along Islamabad-Lahore Motorway illegally as these frequencies were neither assigned nor licensed to NHA. NHA installed 19 illegal DRS links on M-2 Lahore-Islamabad Section. No approval of FAB was attained for these links. 3G band was remained in use of NHA before April. 2008 .The actual date of utilization of frequency was not available in file. NHA vacated the 3G frequency on 10.11.2010. FAB neither received the fine nor referred the case to FIA for legal action.

It was replied in January 2013 that under section 31(n) of the Pakistan Telecommunications (Re-organization) Act 1996, action against the illegal spectrum users is responsibility of the PTA. FAB was responsible for allocation and monitoring of the spectrum under the ibid act. However, a notice for vacation of frequency used by the NHA was issued, and subsequently a meeting with senior management of NHA was held for vacation of subject spectrum. The National Highway Authority (NHA) was a Government Organization. The operation of emergency service was an important service for the motorway travelers and its immediate closure without providing alternate system was not a suitable option. Accordingly, a notice was issued for the arrangement of an alternate system so that spectrum should replace with an alternate system in lieu of seizure of the communication system of NHA. The 3G spectrum from NHA was vacated well before the auction which is yet to be conducted by PTA.

The reply was not acceptable as NHA utilized frequency without approval of FAB and FAB did not initiate legal action against NHA.

The matter may be investigated and responsibility for violation of rule be fixed and fine be recovered from NHA.

No progress was intimated till finalization of this report.

2.12 Loss due to non-recovery of fine and non-complaint to FIA for legal action

According to Section 31(1) (n) and 2 of the Pakistan Telecommunication (Re-organization) Act, 1996 offence makes unauthorized use of the radio spectrum, where authorization from the Board is required. Every offence specified in sub-section (1) shall be punishable with imprisonment, which may extend to three years, or with fine which may extend to ten million rupees, or with both.

Contrary to the above, FAB conducted different technical monitoring surveys for illegal use/violation of FM Radio Stations at different cities across the country. Monitoring teams of Frequency Allocation Board observed that FM Radio stations were operating on non-assigned frequency spots and they violated the authorized parameters by using extra bandwidth and cable leakage signals of different cable operators etc. FAB neither initiated legal action nor made any complaint to FIA for illegal use of frequency.

It was replied in January 2013 that FAB was a technical organization and monitoring of interference of spectrum was the domain and responsibility of the FAB. To fulfill its operational responsibility, FAB conducts Monitoring Surveys on the request of PEMRA and operators of the Telecom Sector including other users of frequency spectrum. The survey reports are being forwarded to PTA/PEMRA for further necessary action at their end. Initiating legal action against the illegal user of spectrum is the domain of PTA under section 31 (n) of the Telecom Act and of PEMRA under section 33 and 29 of

the PEMRA Act 2007. Under the Telecom Act, FAB has no authority to impose and recover fine from the illegal users of spectrum as the same comes under the purview of the PTA/PEMRA (Regulatory Authorities).

The reply was not acceptable, as FAB did not take the legal action against the illegal operators.

The matter may be investigated, responsibility for non-taking of legal action against the illegal operators besides effecting the recovery of fine.

No progress was intimated till finalization of this report.

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-3

NATIONAL RADIO TELECOMMUNICATION CORPORATION (Pvt) Ltd

NATIONAL RADIO TELECOMMUNICATION CORPORATION (Pvt) Ltd

3.1 Introduction

National Radio Telecommunication Corporation (NRTC) was incorporated as a private limited company on 16th February, 1966. The industry was established under an executive order as a result of 1965 war between India and Pakistan to cater for the needs of Army. NRTC is managed by the Board of Directors under the administrative control of Ministry of Defence Production. Its accounts are audited by the Auditor General of Pakistan and External Auditors as well.

Main objectives of the Corporation are to manufacture and assemble all kinds of radio/wireless sets for Defence Services and production of battery eliminators & distribution point boxes for PTCL/NTC.

The corporation is registered under Companies Ordinance as Private Limited Company.

3.2 COMMENTS ON BUDGET AND ACCOUNTS

NRTC management did not provide the annual audited accounts till the finalization of the report despite continuous pursuance by audit. Hence, no comments on accounts could be offered.

3.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

Ministry of Defence Production (NRTC)

S.No	Audit Year	Total Paras	Total Directives	Compliance received	Compliance not received	%age
1	1988-89	3	3	0	3	00
2	1990-91	10	10	10	0	100
3	1992-93	10	10	10	0	100
4	1994-95	No audit para was printed in Audit Report				
5	1996-97	10	2	1	1	50
6	1997-98	10	10	10	0	100
7	1999-00	9	9	4	5	44
8	2000-01	12	12	7	5	58
9	2001-02	8	8	8	0	100
10	2003-04	09	09	05	4	56
11	2004-05	13	13	11	2	85
12	2005-06	8	8	2	6	25
13	2006-07	05	05	0	5	00
14	2007-08	12	12	9	3	75
15	2008-09	4	4	3	1	75

** 1997-98 Directives have not yet been received*

AUDIT PARAS

3.4 Irregular procurements without observing PPRS, 2004 - Rs 18.671 million

According to Rule 15 of PPR's 2004, a procuring agency may engage in pre-qualification of bidders in case of procurements of expensive and technically complex equipment. As per Rule 20, procuring agencies shall use open competitive bidding as the principle method of procurement. PAC has directed that PPR's 2004 may be strictly followed. Furthermore, as per Ministry of Finance letter dated 05.10.2002, an integrity pact shall be demanded while procuring goods & services worth Rs 10 million or more.

It was observed that a purchase order No. LP 2519 A/2010 was placed on M/s Digitekk Karachi on 27-11-2010 for supply of 96 parts/components of FPX-3208 for use valuing Rs 18,670,579. The purchase order was placed on quotation basis instead of competitive bidding. Further no integrity pact was obtained by NRTC from the supplier as required under the rules. According to clause 'g' of revised purchase order the delivery was to be made as per the following schedule; "1st lot of 80 units by November 20, 2010, 2nd lot of 80 units by December 5, 2010, 3rd lot of 100 units by December 20, 2010 and 4th lot of 100 units by January 5, 2011. The record revealed that the supplier failed to provide the equipments as per schedule agreed in purchase order. There was inordinate delay in supplies as evident from the status report of 15.09.2011 that major quantities of parts were not provided till that date. Penalty @ 2% per month or part thereof upto 10% of contract value amounting Rs 1,867,057 was required for recovery as per clause 17 of the contract agreement but not imposed/recorded.

It was replied in January 2013 that the procurements of parts/components were against sensitive project i.e. PFX-3208

exchange. PPRA Exemption was obtained from Secretary (MoDP) i.e. PAO. M/s Digitekk, Karachi was prequalified vendor and registered with NRTC. Due penalty amounting to Rs 75,746.00 was deducted from firm. Full store was received against the P.O.

The reply was not acceptable because the exemption certificate issued by the Secretary (DP) was not in line with the instructions of PPRA issued on 19.06.2009. Furthermore, PAC directive of 25th March, 2011 regarding observance of PPRA rules in all purchases by all the departments/autonomous /semi-autonomous bodies was also not observed. The parts & components were not sensitive till put into an instrument which was sensitive, therefore, the plea and exemption was not relevant. Further, penalty of Rs 1,867,057 was required as recovery as the supply was delayed.

- Audit recommended that responsibility for non-observance of rules be fixed besides regularization of expenditure and recovery of penalty.

No progress was intimated till finalization of this report.

3.5 Unjustified expenditure on Security Surveillance of NRTC building and officers mess - Rs 85.464 million

According to Rule 12 & 20 of PPR's 2004, a procuring agency shall use open competitive bidding as the principle method of procurement of goods, services and work. PAC has directed on 25.03.2011 that PPR's 2004 may be strictly followed. Furthermore, according to Finance Division's O.M No. F.15 (13) R-14/82 dated 05.09.1982, funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed from the scrutiny of ledgers, paid vouchers and purchase order files that a huge amount of Rs 68,905,952 was incurred on procurement of CCTV Cameras, Flood Lights, Bullet Proof Jackets, Electronic Fence Wires, LCD's, Security lights etc. Further an expenditure of Rs 16,558,274 was incurred on construction of boundary walls, security check posts etc. The expenditure was considered irregular because the procurement processes and open tendering method was not observed as required under the rules. The BoD minutes showed that the approved budget was Rs 62.459 million whereas the actual expenditure was Rs 85.464 million. Thus there was a difference in the reported and actual expenditure. The incurrence of such a huge expenditure in the name of security of Officer's Mess and main building without following the rules was not justified.

It was replied in January 2013 that NRTC was sensitive nature organization dealing in supply and manufacturing of Military equipment to be used by Armed Forces in operations. Threat letters and survey reports were received. Due to security reasons and to hide NRTC setup, quotations were collected from those firms who were security cleared. Work was awarded to the lowest bidder. Approval from NRTC Board of Directors was also obtained in its 73rd meeting held on 23.06.2011. The expenditure would stand minuscule in comparison to the consequences of terrorist attack and exorbitant costs of damages, God forbid, such as assault against NRTC infrastructure could inflict. As regards the difference in the figures of the approved budget and expenditure it is clarified that audit has taken the figures wrongly.

The reply was not acceptable because the provisions of PPR's - 2004 were not observed. Moreover, the security survey agency had never asked to deviate from the rules. NRTC own team had decided to procure the security items and carry out related works on quotation basis.

Audit recommended that responsibility for incurrence of expenditure against the rules be fixed. Further, the difference in figures may be got verified from audit.

No progress was intimated till finalization of this report.

3.6 **Unjustified expenditure on procurement of PRC-77 - Rs 3.048 million**

According to Rule 12 of PPR's 2004, a procurements over two million rupees should be advertised on the Authority website as well as in other print media. Procuring agencies should use open competitive bidding as the principle method of procurement.

It was observed that DCE (Production) intimated that some quantity of old version PRC-77 Radio sets were required for test/trials purposes as the stock was not available. NRTC decided to procure 100 sets from M/s Aletheic Lahore by addressing to the firm without observing procurement procedure. Purchase order for 100 sets costing Rs 2,925,000 (Rs 25,000 per set + 17% GST) was placed on 16.05.2011. The price of set was enhanced from Rs 25,000 to 26,048 on the request of supplier which enhanced the order value to Rs 3,047,616, from 2,925,000. The procurements of PRC-77 was considered unjustified and irregular because open tendering process was not adopted. Further PRC-77 was NRTC product having Military specifications, therefore, the procurement from the open market was not justified and against the security concerns of the NRTC.

It was replied in January 2013 that the old Version PRC-77 sets were procured for test and trial, and repairing. These sets were not the common market item and not available in the open market, hence open tendering was not adopted. These sets were procured from an exporter dealing with electronic business. These were meant for extracting parts / components and use for repair/upgrading PRC -77 sets received by NRTC.

The reply was not acceptable because the product was Military specification and manufactured by NRTC. therefore the procurement from the market was not covered under the rules.

Matter may be investigated at Ministry level for facts finding and fixation of responsibility for violation of PPR's 2004 and procurement from the market instead of manufacturing at NRTC because it was corporation's product.

No progress was intimated till finalization of this report.

3.7 Irregular expenditure on procurement without tendering - Rs 75.578 million

According to Rule 12 & 20 of PPR's 2004, a procuring agency shall use open competitive bidding as the principle method of procurement of goods, services and work. PAC has directed on 25.03.2011 that PPR's 2004 may be strictly followed. Furthermore, Rule 10(i) of GFR Vol-I provides that every public officer should exercise the same vigilance in respect of expenditure incurred from the public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that different purchase orders valuing Rs 75.577,959 were placed on different suppliers for supply of different items of EFT 101, PFX-3208 and PFX-1604 exchanges. The purchase orders were placed without calling open tenders which was necessary as the value of the orders were more than the required limit of open tendering. In some cases the value of order was more than rupees ten million which required an integrity pact in the light of MOF letter dated 5-10-2002 but the same was not obtained. The suppliers failed to accomplish the tasks within the stipulated/extended time period agreed in the purchase orders therefore, penalty 2% p.m or part there of upto 10% of orders were required to be imposed on delayed

parts but no penalty was imposed and recovered. In some cases it was agreed that if the supplier failed to supply the parts as per specification, the management would procure from other source on risk and cost of the supplier. But this clause was not observed and purchase orders were restricted to the supplies received instead of taking action against the suppliers which was considered as favoritism.

S.No	PDP No.	Description	Amount (Rs)
1.	628-13	Procurement of EFT-101 parts	1,297,714
2.	630-13	Procurement of different items	5,543,820
3.	631-13	Procurement of different items	3,693,409
4.	633-13	Procurement of different components for PFX 3208	4,294,308
5.	635-13	Procurement of different parts	41,671,247
6.	637-13	Procurement of 2350 accessories bag for EFT-101	528,556
7.	638-13	Procurement of different items	12,348,845
8.	652-13	Procurement of prefabricated rooms	6,200,060
TOTAL			75,577,959

It was replied in January 2013 that parts / components procured were against NRTC contracts of sets to be supplied to Pak Army being sensitive in nature. Exemption from PPRA Rules, 2004 was obtained from PAO – Secretary (MoDP). However in order to have competitive rates, quotations were called from known sources and PO was placed on lowest quoted rates firm. Due penalty was imposed and recovered where applicable.

The reply was not acceptable because the exemption certificate issued by the Secretary (DP) was only meant for procurement of items which safeguarded “National Interest” by not adopting open competition. This exemption was not meant for the procurement of those items which were openly available in the market and whose mere purchase could be termed as sensitive in nature or safeguarding the National Interest e.g. lap tops, UPS, batteries, bags, audio/video wires,

prefabricated huts etc. Thus it appears that the term National Interest was mis-utilised only to avoid open competition and thus violating the very spirit of PPRs -2004. Furthermore, PAC also vide its directive of 25th March, 2011 stressed for observance of PPRA rules in all purchases by all the departments/autonomous /semi-autonomous bodies.

Matter may be investigated at PAO level for facts finding and fixation of responsibility for violation of rules. Further the record of recoveries may be got verified from audit.

No progress was intimated till finalization of this report.

3.8 Irregular procurement of Power Transformer-Rs 1.139 million

According to Rule 42 (c) (IV) of PPR's 2004, a procuring agency shall only engage in direct contracting if repeat orders are not exceeding 15% of the original procurement.

It was observed that procurement department required 540 power transformers VSP-260B for PFX-3208 exchange. Repeat purchase order was placed on M/s Bilal Engineering Gujranwala valuing Rs 4,384,700 on 13.07.2011. The original purchase order 2567A/2011 was valuing Rs 3,790,800, thus repeat order upto Rs 568,620 (15 %) of original order as per PPR,s-2004 could have be placed on the supplier whereas repeat order for 540 pieces @ Rs 7.000 valuing Rs 4,384,700 (100 % of the original contract) was placed vide LP 2599 A/2011 dated 13.07.2011. The purchase order was reduced to 140 pieces with cost of Rs 1,138,800 (74 % of original order) on 06.10.2011. The expenditure was irregular because the same was against the provisions of PPR's 2004 i.e. the repeat order was more than the stipulated percentage in the rules. Furthermore, the VSP was to be provided by M/s PT free of cost as per minutes of meeting dated 16.04.2010 thus the purchase was wastage of expenditure.

It was replied in January 2013 that procurements of 540x VSP relates to PFX-3208 exchange being a project of sensitive in nature. PPRA Exemption was obtained from PAO i.e. Secretary (DP). Later on the order was reduced to 140 VSPs. In order to meet the targets VSP were arranged from another source M/s Bilal Enterprises who developed this item for NRTC. Remaining VSP was received from M/s PT Karachi free of cost and the cost of VSP procured valuing Rs 1,138,800 was adjustable from PT Karachi.

The reply was not acceptable because the item was to be procured free of cost from M/S PT ,therefore, exemption certificate issued by the Secretary (DP) was not relevant in this case. Moreover the exemption certificate issued was for not going open competition and not for other relaxations of PPR, s-2004. Furthermore, PAC in its directive of 25th March, 2011 stressed for observance of PPRA rules in all purchases by all the departments/autonomous /semi-autonomous bodies.

Audit recommended that responsibility for violation of rules be fixed besides adjustment of expenditure against M/s PT Karachi be provided.

No progress was intimated till finalization of this report.

3.9 Unjustified Expenditure for Rawalpindi office rented building - Rs 7.606 million

According to Rule 12 & 20 of PPR's 2004, a procuring agency shall use open competitive bidding as the principle method of procurement of goods, services and work. PAC has directed on 25.03.2011 that PPR's 2004 may be strictly followed. Furthermore, as per Finance Division's O.M No. F.15 (13) R-14/82 dated 05.09.1982. funds provided, acquired or generated by the autonomous/ semi-

autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed that house No 240 at Chaklala Scheme 3, Rawalpindi was hired @ Rs 60,000 PM for establishing marketing office. As per contract agreement, all the major repairs would be carried out by the lesser. The paid vouchers revealed that an amount of Rs 7,379,745 was spent on renovation/ security wire of Rawalpindi office by drawing temporary advance as detailed below. The detail of incurrence of this amount was not on record as the adjustment voucher was not in the record. The principle of transparency was defeated by incurring expenditure in cash through granting the advance instead of adopting the procedure for competitive bidding.

S.No	Vr. No. & date	Description	Amount (Rs)
01	1774 / 27.01.2012	Deputy Chief Engineer (Procurement)	1,500,000
02	1667 / 13.01.2012	-- do --	2,615,325
03	2926 / 27.05.2012	-- do --	1,493,000
04	2928 / 27.05.2012	Deputy Chief Engineer (Procurement)	421,120
05	1974 / 20.02.2012	M/s Unisource (Electric Fence Wire)	675,000
TOTAL			6,704,445

The house had already been equipped with furniture by M/s Ammar Engineering who occupied the house before NRTC. Management paid an amount of Rs 394,000 to the former tenant for furniture on 09.09.2011. However, the record revealed that furniture item i.e. beds and bed room sets amounting to Rs 901,968 were procured without tendering as detailed below:-

S. No	PO No	Description	Supplier	Amount (Rs)
1	LP/2634 A/2011	Bed room sets	M/s Happy Furniture, Islamabad	452,400

2	LP/2634 A/2011	Bed sets	Heritage Furniture, Rawalpindi	116,520
3	LP/2635 A/2011	Office equipment	ITC Comm, Islamabad	333,048
TOTAL				901,968

It was replied in January 2013 that furniture already available in the house hired was not sufficient to meet the requirement of the office established in connection with marketing activities and to accommodate the foreign customers' visitors / high profile delegations. Addition in the furniture and fixture, office equipment and energized fence wire was due to the reasons that NRTC marketing office was established for business promotion and also for extending boarding and lodging facilities to foreign delegations in a befitting and most secured manner. Quotations were called from limited vendors' who were security cleared and procurements were made on economical / competitive.

The reply was not acceptable because the expenditure was incurred without following any rule. No rule permits to incur any expenditure on a rented building through temporary advances by adopting cash payment method. The expenditure was against the agreed terms of the contract agreement and there was no security threat to a house in Rawalpindi as claimed. Furthermore, a security threat does not mean that rules should not be followed.

Matter needs an investigation at PAO level for fixation of responsibility on those who violated all the rules and principles while incurring the expenditure.

No progress was intimated till finalization of this report.

2	LP/2634 A/2011	Bed sets	Heritage Furniture, Rawalpindi	116,520
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Matter needs an investigation at PAO level for fixation of responsibility on those who violated all the rules and principles while incurring the expenditure.

No progress was intimated till finalization of this report.

3.10 Undue favour to contractor for procurement - Rs 2.464 million

According to Rule 12 & 20 of PPR's 2004, a procuring agency shall use open competitive bidding as the principle method of procurement of goods, services and work. PAC has directed on 25.03.2011 that PPR's 2004 may be strictly followed.

A purchase order No IP 532/11 dated 31.05.2011 was placed on M/s Power Link Engineering Lahore for supply of 124,000 terminal port springs loaded @ Rs 36 per unit on single quotation basis. According to the clause 1 of the purchase order, the supplier was required to provide 20,000 pieces by 01.06.2011 and balance quantity within overall 12 weeks. In case of delay, penalty @ 2% PM upto 10% of the order value as per clause 18 of the purchase order would be imposed. Further as per clause 17, if vendor fails to meet delivery period or unable to supply goods as per purchasing data, drawings, goods shall be purchased from other source on the vendor risk and cost. The record revealed that the vendor failed to complete the supply upto June, 2012 (10 months delay) and the supplied material had defects. Management reduced the purchase order on 03 July, 2012 by reducing the quantity from 124,000 to 59,000 which had been received upto 30.06.2012 with reduced value of Rs 2,463,840 from Rs 5,334,480 instead of taking action as per terms of purchase order.

It was replied in January 2013 that procurements of parts/components were against Army project i.e. PFX-1604 exchange sensitive in nature. PPRA Exemption was obtained from Secretary (MoDP). Moreover these were development items; However P.O was placed on lowest rates after calling quotations from different vendor. Quantity of the terminal post was reduced keeping in view the manufacturing speed of the vendor and due to load shedding it was difficult for the vendor to meet the targets. As regards imposition of penalty it was stated that due to load shedding and 1st time

development, it was decided to extend the delivery period of the P.O and penalty was waived off.

The reply was not acceptable because the exemption certificate issued by the Secretary (DP) was not relevant in this case. Audit contention has been admitted in the reply that the terms of the agreement were not enforced. Penalty was required to be recovered as the supplier failed to complete the order within the scheduled time.

Matter may be investigated for fixation of responsibility for violation of rules and favouring the supplier by amending the order to the extent of supplies instead of taking action as per terms of purchase order.

No progress was intimated till finalization of this report.

3.11 Irregular payment through T.T instead of opening L.C US\$ 559,555 (Pak Rs 48.128 million)

According to Foreign Exchange Manual and time to time circulars issued by State Bank of Pakistan the maximum limit for advance payment is US\$ 10,000 or equivalent without opening Letter of Credit (L.C). Furthermore, as per rule 3 of PPR's 2004, international tendering is necessary in case of foreign purchases.

It was observed that payments for the orders over and above the prescribed limit of 10,000 \$ were made by splitting manner. The orders were splitted into parts for the same equipment from the same supplier by obtaining proforma invoices within the prescribed limit to avoid the opening of Letter of Credit (L.C). Thus the State Bank of Pakistan (SBP) Policy was violated and payments made irregularly. The procurements from foreign suppliers were made by personal contacts instead of calling bids as directed in PPRs 2004. Thus the competitive bidding was defeated also. The purchases made from

foreign suppliers were in a very huge amount out of which a sample was reported in this para.

It was replied in January 2013 that supplier refused to supply the parts and components against letter of credit, therefore in order to execute the contracts timely, T.Ts were released in accordance with SBP Ruling within prescribed limit and against proper proforma invoices. Store had also been received against these payments. Items involved were sensitive in nature and PPRA exemption from PAO the Secretary MoDP was obtained regarding applicability of PPRA Rules, 2004.

The reply was not acceptable because the payments were made by splitting the value through invoices to keep them within the allowed yardstick of SBP. The value of order and 90 % payments through TT instead of L.C was against the rules. Furthermore, international tendering process was required to be adopted for the procurement which was not observed that showed the flawed out from the rules. Even if the PPRA exemption is accepted in this case, the said exemption only relates to PPRs provisions and does not relate to other Government rules & regulations. The state also suffered foreign loss due to this mode of payments. Thus the said transactions are the violations of financial proprietary and standing instructions of Government, PPRA and PAC.

Matter needs an investigation at PAO level for fixation of responsibility on those who disregarded all the relevant rules and instructions.

No progress was intimated till finalization of this report.

3.12 **Irregular expenditure on the roof treatment - Rs 4.829 million**

According to Rule 10(i & ii) of GFR Vol-I, the public money should be incurred as the own money. The expenditure should not be

prima facie more than the occasion demands. Furthermore, as per rule 12 & 20 of PPR's 2004 open tendering process should be observed for competitive bidding in case the procurement exceeds rupees one million.

It was observed that an expenditure of Rs 4,829,069 was incurred on the roof treatment of NRTC main building and officer's mess from selected contractor without open tendering as detailed below:

S.No	Vr. No. and date	Name of contractor	Amount (Rs)
1	498 / 09.09.2011	M/s Zig	3,471,416
2	932 / 26.10.2011	-- do --	837,783
3	2348 / 21.03.2012	-- do --	519,870
TOTAL			4,829,069

The record relating to the job was not provided to audit irrespective of written and verbal requests. The process of award of work was not judged whether transparent or otherwise. The justification for the job was not on record therefore, considered unjustified.

It was replied in January 2013 that NRTC being sensitive nature organization open tendering was not made. Work order was placed on a known contractor who had vast experience in the said technical work. As regard non provision of record, the observation raised from paid vouchers and record was not demanded.

The reply was not based on facts as the requisition of record delivered showed that the record was demanded by the audit team. There was violation of PPR,s-2004 provisions regarding which PAC in its directive of 25th March, 2011 stressed for observance of PPRA rules in all purchases by all the departments/autonomous /semi-autonomous bodies. The work was not sensitive in nature; therefore, open tendering process was mandatory.

Matter may be investigated for fixation of responsibility for violation of rules and non-production of record.

No progress was intimated till finalization of this report.

3.13 Irregular procurement of components through cash purchases - Rs 3.869 million

According to Rule 12 & 20 of PPR's 2004, a procuring agency shall use open competitive bidding as the principle method of procurement of goods, services and work. PAC has directed on 25.03.2011 that PPR's 2004 may be strictly followed. Furthermore, as per Rule 144(2) of GFR Vol-I, the procurement of stores required on mobilization or during continuance of military operations will be regulated by special rules and orders issued by Government in this behalf.

It was observed from the paid vouchers that an amount of Rs 3,868,525 was drawn as temporary advance by Deputy Chief Engineer (DCE) during 2011-12. The adjustment of advances showed that parts/components were procured from local as well as international sources. For the international procurements, the foreign currency (Dollars) were purchased from open market and paid to suppliers (e.g. Digikey USA) and others. This expenditure was over and above incurred through permanent imprest of Rs 500,000 sanctioned in the name of DCE. The incurrence of expenditure through cash instead of placing purchase orders and making agreements was not covered under any rule. Thus the expenditure was considered irregular.

It was replied in January 2013 that the procurement against the GSM Jammer Project was made against the permanent imprest allowed to DCE (R&D) and no advance payment was made. Payment was released upon receipt of store and clearance of IGRs. These

procurements were for the development of different types of GSM Jammers and Antennae required for the Armed forces of Pakistan. Payment to the foreign vendors was released in foreign currency.

The reply was not acceptable because the expenditure was incurred in cash from the supplier who was already providing the components through the regular purchase orders.

Matter may be investigated for fixation of responsibility for violation of provisions of PPR's and clarification of PPRA with directive of PAC. Further the record relating to imprest account with the store inventory record be got verified from audit.

No progress was intimated till finalization of this report.

3.14 Outstanding amount against clients - Rs 1,033.077 million

According to Rule 26 of GFR Vol-I, it is the duty of the departmental controlling officers to see that all sums due are regularly and promptly assessed, realized and duly credited in the accounts. Furthermore, as per Rule 28 *ibid*, no amount due should be kept outstanding without sufficient reasons.

It was observed that trade debts of Rs 1,033,076.972 were lying outstanding at the close of 30th June 2012. The details of these receivables showed that some amounts were outstanding since many years. Efforts made to make good these amounts were not on record.

It was replied in January 2013 that amount related to the Trade Debts receivable against sales made against the various contracts. An amount of Rs 515.416 million had been received and particulars of recovery provided to audit for verification. Bills against the remaining amount had been issued and under process. Audit will be informed in due course of time.

Recovery amounting to Rs 441,399,610 has been verified on 31st January, 2013. Audit recommended that remaining balance of Rs 591,677,362 be recovered and get it verified from audit

No progress was intimated till finalization of this report.

3.15 **Irregular purchase of Foreign Currency US\$ 103,000 (Pak Rs 9.139 million)**

According to Finance Division's (External Finance Wing) O.M No.F(1)EF.B-IV/2011 dated 01.02.2011, foreign exchange budgets are approved as advised in the memo.

It was observed that certain amount of foreign exchange budget was approved by the Finance Division and releases were made accordingly. The paid vouchers revealed that the management purchased US\$ 103,000 as detailed below from the open market without any authority from Finance Division or State Bank of Pakistan.

S.No	Vr. No. & date	Pak Rupees	US\$
1	278 / 05.08.2011	3,450,000	40,000
2	577 / 24.09.2011	2,670,000	30,000
3	2696 / 08.04.2012	3,019,500	33,000
Total		9,139,500	103,000

The utilization of these dollars was not on record. The purchase of dollars from open market was irregular because not approved by the competent forum.

It was replied in January 2013 that NRTC received 05 contracts from Saudi Army and for execution of the contracts and to facilitate NRTC in connection with different matters with Saudi Army NRTC had made an agreement with M/s EZAH, KSA. To remit consultancy

service charges to M/s. EZAH KSA, the dollars were purchased from the market and deposited in the foreign currency account for disbursement to the party against rendering of services in connection with sale and delivery of the Project deliverables. All these payments were as per terms of Agreement signed between both the Parties. Finance division / SBP don't put any observation to seek approval for purchase of Dollars from the open market at prevailing rates as per Foreign Exchange manual.

The reply was not correct as no rule permits to purchase foreign currency from the open market without the proper authority. No proof regarding the deposit of the foreign currency into the account and its disbursement was provided in support of reply.

Audit requires that responsibility for the irregularity be fixed and record for deposit the currency into the relevant account be got verified from audit.

No progress was intimated till finalization of this report.

3.16 Irregular expenditure on procurements through temporary advances - Rs 8.729 million

According to Rule 4, 12 and 20 of PPRs 2004, it shall be ensured that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Open competitive bidding process should be adopted if the procurements are beyond Rs 100,000.

It was observed that officers of NRTC had drawn temporary advances and incurred expenditure of Rs 5,423,560 against these advances. The adjustment of the advances revealed that Laptop, computers, LCD TV, beds, dollars from open market, gifts and parts

were procured in cash against the provisions of rules. The purchase through temporary advances was irregular and unjustified.

S.No	PDP No.	Description	Amount (Rs)
01	642-13	Procurement of AC, Wood, Renovation work of officers mess	3,305,248
02	645-13	Procurement of different items (LCD, Furniture, MS sheets etc)	5,423,560
TOTAL			8,728,808

It was replied in January 2013 that advances issued against various purposes had been adjusted upon receipt of store and all the codal formalities were adopted. Quotations were collected where amount exceeds Rs 100,000. No payment was released without any reason/ approval of the Competent Authority. Exemption against items procured had already been obtained.

The reply was not acceptable because it was not based on facts. Open competition was violated in the purchases of common items which were more than the permissible limit and instead those were procured in cash e.g. furniture, LCD, wood, TV, MS sheets etc. No rule permits the cash purchases. Furthermore, the record did not prove the adjustment of amounts and observance of rules. The receipt and utilization of purchased items was not provided. Provisions of PPR's and clarification of PPRA with directive of PAC was violated which required fixation of responsibility.

No progress was intimated till finalization of this report.

3.17 **Irregular cash procurements without tenders in non-transparent manner - Rs 13.829 million**

According to Rule 4, 12 and 20 of PPRs 2004, it shall be ensured that the procurements are conducted in a fair and transparent

manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Open competitive bidding process should be adopted if the procurements are beyond Rs 100,000. Further, Rule 11 of GFR Vol-I provides that every head of department is responsible for observance of all financial rules and regulations both by his own office and by subordinate officers.

It was observed that an expenditure of Rs 8,446,051 was incurred on cash purchases and civil works by drawing temporary advances by different officers. Furthermore, it was observed that an amount of Rs 5,000,000 was drawn as temporary advance by DCE (Procurement) vide Vr. No.33 of 11.07.2011. The adjustment voucher of 30.06.2012 for Rs 5,382,604 showed that major expenditure was incurred on cash purchase of MS Sheets of Rs 1,991,338 from M/s Imran Yousaf Lahore and parts of Rs 2,943,513 from M/s Trends Rawalpindi and remaining amount on other cash purchases. The inventory control record of the procured items was not available and the expenditure on civil works was not supported with measurement sheets/books. The procurements were considered non transparent as open competitive bidding was not followed.

It was replied in January 2013 that quotations were called from 03 vendors which were security cleared. To hide NRTC setup in civil area, pre-requisites of procurement procedures by involving open bidding was forgone. None of the amount was issued without any reasons /approval of Competent Authority. Exemption against items procured and related to sensitive nature had already been obtained. Works were essential to uplift the factory face for foreign delegation visiting NRTC in connection with business activities. Purchases of partal woods and parts and components were essential to meet the contracts targets and adjusted accordingly. All the codal formalities were adopted.

The reply was not acceptable being against the rules. All the procedures and rules were not followed in the incurrence of expenditure through cash. Provisions of PPR's 2004 and directives of PAC were ignored by the management. No rule permit cash purchases valuing Rs 2.000 million or more from open market without open tendering. Furthermore, MS sheets and articles procured from open market (e.g. partal wood, civil works) through cash payments were neither sensitive nor out of tendering process.

Matter needs an investigation by PAO for fixation of responsibility on those who did not observe the rules.

No progress was intimated till finalization of this report.

3.18 Blocking of stores valuing - Rs 23.685 million

According to Rule 145 of GFR Vol-I, purchase must be made in the most economical manner. Care should be taken not to purchase stores much in advance of actual requirements. Where scales of consumption or limits of stores have been laid down by competent authority, the authority ordering a supply should certify on the purchase order that the prescribed limits are not exceeded.

It was observed from the ledgers that stores valuing Rs 23,685,056 were lying unutilized since 2006. The expenditure incurred on the procurements and non-utilization of stores was considered blockage of money/stores. The reasons for procuring excess quantities were not on record.

It was replied in January 2013 that NRTC is a manufacturing unit and supplying equipment to Armed Forces. NRTC had to retain parts/components for back up support in the form of repair/maintenance of faulty Radio sets received from the field for at least 10-15 years. These items were rarely available in the national and

international market due to passage of time and due to rapid change in the field of telecomm technology. Therefore keeping the stock was essential. These items were also sometime used by R&D for the development of the Projects.

The reply was not acceptable because the proof regarding non availability of spares was not provided. The consumption of the parts purchased in excessive quantity as well justification given at the time of procurement for these parts was not provided to judge the genuineness of procurement of excessive parts.

Audit requires that details of total procured parts with utilization and aging be provided for audit scrutiny.

No progress was intimated till finalization of this report.

3.19 Unrealistic/ unjustified sales promotion expenditure - Rs 65.340 million

According to Rule 10(iv) of GFR Vol-I, public money should not be utilized for the benefit of a particular person or section of community unless the expenditure is in pursuance of a recognized policy or custom.

The record revealed that foreign visits were made for sales promotion for Rs 22,483,092 and US\$ 170,391 without the approval of the competent authority. Further expenditure of Rs 2,782,182 was also borne by NRTC on foreign visits of FWOCP and payment to other agencies in the name of sales promotion. It was also observed that Deputy Commercial Manager was given temporary advances for sales promotion activities linked with the foreign tours of NRTC officers and to attend foreign delegates visiting for contracts. The details of expenditure revealed that an amount of Rs 43,699,183 was incurred on procurements, lunches and gifts etc. The incurrence of expenditure on sales promotion was considered irregular and unjustified because the

sales promotion expenditure of previous year as well sales of current and previous year were compared which showed that the sales promotion expenditure was on higher side and exorbitant. The sales with reference to sales promotion expenditure were not matching in any way.

	2011	2012	Increase	% increase
Sales	964,988,917	1,720,124,986	755,136,069	78%
Sales Promotion	8,893,182	65,339,595	56,446,413	635%

It was replied in January 2013 that the foreign visits were made with the clear objectives of technology acquisition. The visits were approved by the Board and CE as per decision of the Board of 2007. NRTC made efforts for promoting its business and to sell its products in the local and international markets which resulted in fetching orders from various local / foreign customers. Therefore, NRTC participated in international defence exhibitions and fetched orders of US \$ of 8.6 million from KSA and US \$ 1.7 million from Srilanka. The temporary advances were drawn by DCM to make on spot payments to vendors in international defence exhibitions/giveaways, for purchase of souvenirs for top level officials and to make arrangements locally as well as international meetings for test/trials, repair & maintenance, business development, technology acquisition and R&D collaboration. Detailed accounts have been submitted. The amount of advance payment was considerable less as compared to sales. As regards increase of the sales promotion expenses as compared to the previous year it was stated that due to efficient marketing strategies and activities NRTC succeeded in getting orders as on 30.06.11, Rs 7,506.401 Million and as on 30.06.2012 Rs 3,620.837 million. To compare the sales promotion expenses with the previous year was not justified but these were always compared with business / volume of contracts received. Expenditure on the foreign visits of FWOCF was borne by NRTC and subsequently adjusted against the contract amount received against the contract made for supply of 500 SDRs.

The reply was not acceptable because the approval of visits was not obtained from the Minister Incharge with prior clearance from the Finance Division in the light of Cabinet Division's U.O No.148/2002-Min.ii dated 25-06-2009,applicable to all departments, autonomous/ semi-autonomous bodies. Further most of the temporary advances were granted prior to the adjustment of previous advances and all the advances were got adjusted on 30-06-2012 (lapse of 6 to 10 months) without any justification by retaining public money for longer time. Moreover, expenditure incurred from temporary advances should conform to observance of financial propriety and all financial rules including PPRs.

Furthermore, most of the expenditure adjusted through advances was on items/purpose more than the permissible limit of tendering. The items purchased through advances were not entered in the stock register. Adjustment of expenditure incurred on the visits of FWOCP may be got verified from audit. The justification that the sales promotion expenditure was not high was not tenable as firstly no cogent reasons had been given for the steep increase from the last year's figure and secondly even the ratio of sales promotion to actual sales was on higher side i.e. 4%. Furthermore, the audit had already pointed towards high expense on foreign trips which contributes to one third of the sales promotion expense specially in the presence of a vibrant organization exclusively created for promotion of defence products i.e. Defence Export Promotion Organization (DEPO).

Matter may be investigated at PAO level for facts finding and fixation of responsibility for flawed out from the rules

No progress was intimated till finalization of this report.

3.20 Non accomplishment of job for supply of SDR equipment - Rs 4,104.450 million

According to special condition No.6 of contract agreement No.11/ET/2009-10/Army dated 30.06.2010, NRTC will supply the equipment within 24 months after release of advance payment to NRTC. The annex-C of contract revealed that 2000 SDR valuing Rs 4,104.450 million were to be supplied in the first phase upto 30.06.2012 but NRTC failed to accomplish the task. Minutes of 74th BoD revealed that sales to Defence of Rs 5,141.952 million were approved in the budget of 2011-12 but the actual sales were only for Rs 1,470.035 million resulting in less sales of Rs 4,104.450 million by 30.06.2012 . Thus sales of 2000 Software Defined Radios agreed in the contract dated 30.06.2010 could not be matured which considered poor performance was resulting in low level of sales against the confirmed target figure of the current year.

It was replied in January 2013 that NRTC received contract No. 11/ET/2009-10/Army dated 30.06.2010 for supply of 3000 SDR sets. 2000 SDR sets valuing Rs 4,104.450 Million were proposed to be delivered by 30Th June 2012. The Sale of SDR sets could not be made during the year. The main reason for non-delivery of the equipment was due to non-payment of Funds as per terms of payment of the contract, therefore, opening / enhancement of LC with M/s. Aselsan was also not in time and M/s. Aselsan did not deliver the store as per schedule.

The reply was not acceptable because the non- accomplishment of task resulted into loss of revenue as well profit. Action for nonpayment by the purchaser was required to be taken as per the terms of the contract.

Audit requires detailed report regarding the LC's opened. stores received from M/S Aselsan and others. equipments

manufactured, work in process and the stores in hand may be provided for audit scrutiny.

No progress was intimated till finalization of this report.

3.21 Unjustified expenditure on hiring of security services - Rs 10.568 million

According to Finance Division's O.M No. F.15 (13) R-14/82 dated 05.09.1982, funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed from the record that there were 42 employees working as security staff. Further 6 employees were hired as security staff during 2011-12. Thus there were 48 employees deployed for security purposes on whom expenditure on salary of Rs 801.600 was incurred during 2011-12. The paid vouchers revealed that private security was also hired consisting of 25 persons from M/s Double Tapp Security Services @ Rs 1,000,000 p.m. The record for contract agreement, terms and conditions were not provided for examination. However, the paid vouchers and amount booked shown in the accounts revealed that an expenditure of Rs 10,567,679 was incurred as security expenses. The hiring of private security agencies over and above the security staff deployed in the Corporation was unjustified and against the rules of propriety.

It was replied in January 2013 that NRTC is sensitive nature organization dealing in supply of Military equipment to be used by Armed Forces in operations. In view of threat alerts received from Ministry of Interior through MoDP, a private security company having

SSG (Cdo), trained retired personnel of Pak Army was hired. The Company had a complete professional security plan and its personnel were capable of handling any eventuality. Present NRTC security was not sufficient to meet the unforeseen event and to further strengthen the security; therefore, it was decided to hire private security agency having trained professional.

The reply was not acceptable being against the facts. The security staff deployed by NRTC through pay roll was from the retired Armed Forces personals; therefore, the reason to hire private security was not justified. In the presence of 48 security staff there was no justification for hiring private security.

Matter may be investigated at PAO level for facts finding and fixation of responsibility for incurrence of irregular expenditure.

No progress was intimated till finalization of this report.

3.22 Irregular expenditure incurred on the establishment of R&D Labs at NUST & MCS - Rs 14.276 million

According to Finance Division's O.M No. F.15(13)R-14/82 dated 05.09.1982, funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed that R&D Labs were working in NRTC premises at Haripur for the last 4 decades for research and development purposes. To run these labs, research engineers were deployed for the accomplishment of tasks. The labs could be extended if the business required new technologies and research. But it was noted that NRTC established R&D Labs at SEECS (NUST) and MCS

Rawalpindi during 2011-12. For the establishment of these labs, an amount of Rs 4,164,241 was spent on provision of infrastructure and Rs 10,112,000 on payment of salaries and allowances to the trainers and research engineers. The establishment of the labs outside the premises of NRTC factory and engagement of huge quantity of researchers was not justified. The expenditure incurred on infrastructure is as under:

S.No	Vr. No. & date	Description	Amount (Rs)
1	CV-1383/12.12.2011	Ty Adv to Col. (R) Irfan-ul-Haq (SEECs)	2,500,000
2	JV-1003/30.06.2012	Expenditure for MCS lab	1592,241
3	CV-517/13.09.2012	Expenditure at (SEECs)	72,000
TOTAL			4,164,241

It was replied in January 2013 that Development Lab with MCS was the contractual obligation of the Software Defined Radio (SDR) Contract signed between DGMP and NRTC for supply of 3000 SDR sets valuing Rs 5.821 Billion. As per terms of Contract Rs 27.000 Million was allocated under MCS Head for development of ECCM /Encryption for loading in SDR, development of Lab, provide technical assistance, procurement of equipment, hiring of cryptologists /experts and training cost including transport. Out of observed, an amount of Rs 4.426 Million was adjusted against MCS received funds. Lab at NUST (SEECs) was established w.e.f. 01.07.2011 and R&D Engineers who were the assets for the NRTC shifted there for carrying out the research and development on different projects with the approval of Board of Directors. The construction/setup work was executed by making Board (PMB) and proper codal formalities were adopted. The amount drawn was adjusted. As regards hiring of female staff, it is clarified that equal opportunities were given because of safe and better work place at Rawalpindi.

The reply was not acceptable because the establishment of lab at MCS was not a part of the contract agreement but transfer of technology to MCS R&D wing for indigenous development of software. Establishment of lab at SEECs and deploying researchers including the female staff for the stated R&D was not justified as the rules for hiring were violated.

Matter may be investigated at PAO level for facts finding and fixation of responsibility on those who had flawed out from the rules.

No progress was intimated till finalization of this report.

3.23 Non transparent award of building construction works - Rs 185.999 million.

According to Rule 23(4) of PPRs 2004, procuring agencies should use standard bidding documents and provide a set of bidding documents to the suppliers. PEC has circulated standard bidding documents with regard to construction of building works. Furthermore, as per Rule 28(2) & 35 ibid, the bids shall be opened publically and all bidders in attendance shall sign attendance sheet and procuring agency shall announce the results in the form of report giving justification for acceptance or rejection.

It was observed that NRTC involved H/Q DW&CE (DP) for tendering of construction work of new Admn Block and hostel at Haripur. The bids were received by that agency and opened at Rawalpindi. Neither standard bidding documents were issued to the bidders nor standard BoQ adopted. There was no attendance certificate from the bidders and no justification for rejection as required under the rules. The bids were required to be opened and evaluated by a team of experts including technical and financial experts whereas the evaluation was done by a single one. Audit failed to formulate any opinion on the receipt of bids, quoted rates and evaluation as no

original bids record was provided for examination. Furthermore, the terms of contract must be precise and definite as per Rule 19(i) of GFR Vol-I, whereas the photocopy of agreement available/provided were deficient of all the bids terms and conditions. Only Annex B&C showing the award of work to M/s Usman & Co and schedule of payments was available. The date of start and completion was not available in the agreement. The work was awarded to M/s Mian Usman Umar & Co. Lahore at a cost of Rs 185,999,232 (Rs 126,157,525 for Admn Block and Rs 59,841,707 for hostel) on 11.02.2011. Out of total an amount of Rs 116,092,223 was shown paid to the contractor out of which Rs 59,090,003 was paid during 2011-12. Measurement Book was not available to prove the measurements recorded and verified as per rules. The processes adopted for award of work were considered non transparent as no processes were adopted as required under rules. Furthermore, budget for the work during 2011-12 was not approved by the Board.

It was replied in January 2013 that NRTC Board of Directors approved the tendering and contract methodology of construction of Admn Block and Officer Hostel through HQ DW&CE and permitted conclusion of complete contract on opening of bids. Due to limited ability of NRTC to undertake /supervise civil engineering projects and ensure transparency the work was handed over to HQ (DW&CE) with clear instruction to follow / strict compliance of PPRA Rules: The requirement of the buildings, tendering process and payment process were justified and as per procedures invoked. The record is available which audit may verify.

The reply was not acceptable because the approval to award the work through DW&CE was not given by the Board but by a committee constituted by the management of NRTC. The procedure for issuance of tender documents and the evaluation of bids was not as per PPR's-2004. The complete record of bidding documents, evaluation criteria,

evaluation committee approval and detailed contract agreement was not produced for audit scrutiny.

Matter may be investigated by PAO for fixation of responsibility for non-provision of complete record for audit scrutiny despite the written requests during the course of audit.

No progress was intimated till finalization of this report.

**MINISTRY OF INFORMATION
TECHNOLOGY (IT & TELECOM DIVISION)**

CHAPTER-4

**INFORMATION COMMUNICATION
TECHNOLOGY
RESEARCH & DEVELOPMENT FUND**

INFORMATION COMMUNICATION TECHNOLOGY RESEARCH & DEVELOPMENT FUND (ICT R&D)

4.1 Introduction

Federal Government established a Fund to be called the Research and Development Fund under section 33 C of Pakistan Telecommunication (Re-organization) amended Act, 2006. The Research and Development Fund shall be under the control of the Federal Government and the balance to the credit of the R&D Fund shall not lapse at the end of the financial year. The Research and Development Fund shall consist of:-

- Grants made by the Federal Government.
- Prescribed contribution by licensees.
- Loans obtained from the Federal Government.
- Grants and endowments received from other agencies.

The Fund shall be utilized exclusively for prescribed Research and Development activities in the field related to Information & Communication Technology and other expenditure incurred by the Federal Government in managing Research and Development Fund. The Federal Government may co-ordinate with relevant entities to ensure timely utilization and release of sums in accordance with the criteria as may be prescribed.

4.2 **COMMENTS ON BUDGET AND ACCOUNTS**

ICT R&D management did not provide the annual audited accounts till the finalization of the report despite continuous pursuance by audit. Hence, no comments on accounts could be offered.

4.3 **STATUS OF COMPLIANCE WITH PAC DIRECTIVES**

The Audit of the Research & Development (R&D) Fund was assigned to Director General PT&T Audit first time in February 2011. No audit report has yet been discussed in PAC.

AUDIT PARAS

4.4 Irregular expenditure on the project “establishment of virtual campuses in Pakistan - Rs 279.3 million

Honorable Prime Minister of Pakistan in 17th BoD meeting of National ICT R&D Fund Company approved the project for establishment of “Virtual Campuses in Pakistan.”

Virtual University submitted the proposal for establishment of 6 ICT Campuses at a cost of Rs. 343.445 million. The proposal submitted by the V.U was not evaluated internally & externally and not presented to Project Appraisal Committee (PAC) in violation of the provisions of Operation Manual of the ICT R&D Fund. A contract was signed on 30.09.2011 between ICT R&D Fund Company & Virtual University for establishment of Six VU Campuses at a total cost of Rs 343.445 (M). The project could not be started as the Chairman & Board members had reservations on the project. The revised contract agreement dated 16.04.2012 valuing Rs 279.3 (M) clearly stated that V.U will establish 09 rental campuses and 01 purpose built campus (Construction of 01 campus) whereas in the 22nd BoD meeting held on 14.03.2012, the BoD has approved 10 rental Campuses only. Thus there was a clear contradiction between the BoD decision and the revised contract agreement.

It was replied in January 2013 that proposal could not be evaluated internally or externally due to various unavoidable reasons. There is an ambiguity between Virtual University and the Fund regarding the number of rental campuses and purpose built campuses. The 10 campuses were approved by the Board without mentioning the campus type (Purpose Built or Rental). In order to overcome this ambiguity, the VU has revised its budget heads according to number and location of campuses in light of Board Resolution that is ready to

be presented in upcoming Project Management Committee (PMC) meeting.

The reply was not acceptable because the proposal was not evaluated internally or externally in violation of the operational Manual of National ICT R&D Fund. The ambiguity in number and locations of rental campuses and one purpose built campus, has yet to be removed and approved by the competent forum and subsequently the contract agreement with VU has also to be revised

Matter may be investigated for fixing the responsibility against those at fault and expenditure be got regularized from competent forum.

No progress was intimated till finalization of this report.

4.5 Irregular payment of monetization of staff vehicles - Rs 7.063 million

According to Cabinet Secretariat Letter No 6/7/2011-CPC dated 30th December 2011, the monetization policy is applicable only to the Civil Servant in BS-20 to BS-22 working in the Ministries/Divisions/Attached Departments and subordinate offices. The policy is not applicable in case of officers of Autonomous/Semi-autonomous organizations, corporations, as well as, to the persons appointed on management pay scales, special pay scales, and health personnel scales.

Contrary to above, it was observed that an amount of Rs 7,062,498 was disbursed to the employees on account of monetization of staff vehicle during 2011-12 without any approved policy from the competent forum. The expenditure was, therefore, considered irregular

It was replied in January 2013 that National ICT R&D Fund (the "Company") is a nonprofit public (guarantee) limited company,

not having a share capital. The Company was set up under Section 42 of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies Ordinance, 1984. All policies of the Company are approved by its Board of Directors.

The reply was not acceptable being contrary to the Cabinet Division instruction. Further, the policy for monetization of staff vehicle was not approved from the competent forum.

Responsibility for violation of government rules be fixed and the expenditure be got regularized from the competent forum.

No progress was intimated till finalization of this report.

4.6 Irregular payment of leave encashment - Rs 3.126 million

According to Rule 10(iv) of GFR Vol-I, Public money should not be utilized for the benefit of a particular person or section of community unless the expenditure is in pursuance of a recognized policy or custom. Further Rule 11 ibid states that every head of an organization is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations.

Contrarily, it was observed that an amount of Rs 3,125,577 was disbursed to the employees on account of leave encashment during FY 2011-12 without any approved policy from the competent forum. The expenditure was, therefore, considered irregular.

It was replied in January 2013 that National ICT R&D Fund (the “Company”) is a nonprofit public (guarantee) limited company, not having a share capital. The Company was set up under Section 42 of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies

Ordinance, 1984. All policies of the Company are approved by its Board of Directors.

The reply was not acceptable being contrary to the Government rules. The policy for payment of leave encashment was not proved from competent forum.

Responsibility may be fixed for making payment without the approved policy from competent forum. The expenditure may be got regularized from the competent authority.

No progress was intimated till finalization of this report.

4.7 Irregular expenditure on rent of office building - Rs 13.342 million including excess expenditure - Rs 7.452 million

According to Ministry of Housing and Works O.M No/2(1)/2000-Policy dated 21.09.2006 and 14.04.2008, the procedure and rates for hiring commercial buildings for offices has been described as under:

Floor	21.09.2006	14.04.2008
Basement	@ Rs 7/Sq. ft.	@ Rs 25/Sq. ft.
Other floors	@ Rs 14/Sq. ft.	@ Rs 40/Sq. ft.

From 14.04.2008, it has been allowed to pay 25% extra rent for high rise centrally air conditioned buildings. Para 2(IV) of the O.M provides that “cases of buildings proposed to be hired beyond prescribed enhanced rates will be referred to Finance Division (Regulations Wing) through FA’s organization” after completion of procedural formalities as per Finance Division O.M No.8 (69)R-14/83-2001-452 dated 18.10.2001.

Contrary to above, it was observed that ICT R&D management hired 2 floors (6th & 7th) in HBL Tower, Blue Area Islamabad covering

an area of 6200 sq. ft each @ Rs 121/sq. ft. for 6th floor and Rs 100/Sq.ft for 7th floor. An amount of Rs 13.342 million was paid as rent which was in excess of the admissible rent of Rs 7.452 million as calculated below:

S. No.	Floor	Period	Rate admissible	Amount admissible	Rate paid	Amount paid	Excess expenditure (3-5)
		1	2	3	4	5	
1	6 th	17.02.2012 to 16.02.2013	Rs50/ Sq. ft.	(6200x50x12 3,720,000	Rs121/ Sq. ft.	(6200x121x12x135/3 65 9,002,400	5,282,400
2	7 th	01.12.1011 to 30.06.2012	Rs50/ Sq. ft.	(6200x50x07) 2,170,000	Rs100/ Sq. ft	(6200x100x07) 4,340,000	2,170,000
TOTAL				5,890,000		13,342,400	7,452,400

It was replied in January 2013 that National ICT R&D Fund (the “Company”) is a nonprofit public (guarantee) limited company, not having a share capital. The Company was set up under Section 42 of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies Ordinance, 1984. All policies of the Company are approved by its Board of Directors.

The reply was not acceptable because the company was state owned company and the funds available with the company were the Federal Government fund and not the company’s own fund. The hiring of building over and above the prescribed rates should have been dealt with as provided in para 2 (IV) of the letter of Ministry of Housing.

The expenditure may be got regularized from the competent authority under intimation to this office.

No progress was intimated till finalization of this report.

4.8 **Irregular expenditure on the project - Rs 23.400 million and non - recovery from three universities - Rs 675,000**

A Project titled “Grass Root ICT Research Initiative Program” was approved in the Project Appraisal Committee (PAC) meeting on 4th January 2012. A maximum limit on the number of proposals to be funded for each department and university was fixed as three (3) and ten (10) respectively.

Contrary to above, it was observed that an amount of Rs 23,400,000 was disbursed in advance without executing the contract agreement during the year 2011-12 to 104 HEC approved universities/ICT institutions @ Rs 225,000 each. c) The maximum limit on the number of proposals to be funded for each department and university was fixed as three (3) and ten (10) respectively by the Project Appraisal Committee (PAC) but 14 proposals for COMSAT institute of information technology Islamabad and 18 proposals for National University of Science and Technology Islamabad were approved and payment made subsequently in disregard to the decision of the PAC. The signed contract agreement of 25 universities was not received. The proposals of three universities were not approved despite the advance payment of Rs 675,000 @ Rs 225,000 each and the advance payment has not been refunded till date. No deliverables from the respective universities were received and the monitoring of the project was not being done.

It was replied in January 2013 that the CEO of the Fund had deviated from the approved scheme by considering the each campus as an individual institution. However, 9 remaining universities are being pursued for submission of signed copies of “terms & conditions”. Despite all the efforts three non-participating universities had not refunded advance and their cases were referred to Legal Department.

The reply was not acceptable as the CEO was not authorized to bypass the decision of the project appraisal committee. The contract agreements were not executed whom the advance payment was made.

Matter may be investigated to fix the responsibility for the violating the policy of the Company and the advance payment be recovered from the universities whose proposals were not approved.

No progress was intimated till finalization of this report.

4.9 Wasteful expenditure on a project - Rs 2.677 million

A project titled “Power Aware Video Coding for Extending Battery Life in Portable and Mobile Devices” submitted by Associate Professor of LUMS Lahore was approved at a cost of Rs 13,034,308 on 06.05.2009. The completion period was fixed 27 months but the project was still not completed even after the lapse of 40 months. Mobilization advance equivalent to 20% of the project cost amounting to Rs 2,606,862 was paid on 12.08.2009. Neither any monitoring by the GM monitoring was conducted nor any deliverables made by the PI. Therefore, the whole payment of Rs 2,676,862 (2,606,862+70,000) made by the ICT R&D fund had gone waste.

It was replied in January 2013 that only the mobilization advance was given as per normal practice, which has to be paid before project commencement. The approved period of the project was 27 months and no extension was given after that. The project was listed in the Transparency International Pakistan Report based on which the payments were put on hold.

The reply was not acceptable as the Project was abnormally delayed and not properly pursued and coordinated. The project could not be made successful and the expenditure of Rs 2,608,862 had gone waste.

Matter may be investigated to fix the responsibility for non-monitoring and the Project Investigator may be blacklisted/ debarred for future participation in the R&D projects.

No progress was intimated till finalization of this report.

4.10 **Irregularities in the project funding - Rs 35.489 million**

A project titled “A Low Power High Speed IP Suite for Universal Serial Bus (3.0)” submitted by School of Electrical Engineering and Computer Sciences (SEECS) NUST Rawalpindi was approved at a cost of Rs 35,488,514 on 13.03.2009. The completion period was fixed 24 months but the project was still not completed even after the lapse of 43 months. National ICT Fund was not satisfied with the final output/demonstrations of the project given by the Project Investigator (PI) on 26.12.2011 & 10.01.2012. However, the Ex-CEO released the funds of Rs 6.5 million by ignoring the serious issues raised in the earlier two demonstrations. Due to non-closure of the project and abnormal delays, the objectives of the project like royalty, IP commercialization & human resource training etc could not be achieved

It was replied in January 2013 that the original duration of the Project was 24 months but a change request was approved for 6 month time-extension, making the total duration 30 months. The payments made were not linked to the demonstration, per contract. Only the last payment is linked to final demonstration and that payment has still not been made due to certain reservations.

The reply was not acceptable as it was not based on facts and supported with the documentary evidences. Further, after having known the serious issues in the two demonstrations by the PI, the release of Rs 6.5 million was not justified.

Matter may be investigated to fix the responsibility for the payment without the removal of deficiencies.

No progress was intimated till finalization of this report.

4.11 Irregular expenditure on TA/DA – Rs 6.700 million

According to Rule 9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders by an authority to which power has been delegated. Rule 11 ibid further requires each head of department to enforce financial order and responsible for observance of all relevant financial rules and regulations.

Contrary to above, it was observed that an amount of Rs 6,700,209 was incurred on TA/DA; Rent a Car and Hotel Charges. The expenditure was treated irregular because the tour programs were not approved by CEO. The rates of DA, Hotel Charges, Air Class, and Hiring of cars for journeys from one place to other and within cities were not approved from the competent forum through the relevant policy

It was replied in January 2013 that National ICT R&D Fund (the “Company”) is a nonprofit public (guarantee) limited company, not having a share capital. The Company was set up under Section 42 of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies Ordinance, 1984. All policies of the Company are approved by its Board of Directors.

The reply was not acceptable as the tour programs were not approved from the CEO and the rates of DA/hotel charges, air class and hiring of cars for journeys etc. were not approved from the

competent forum.

The expenditure may be got regularized from the competent authority. The rates of TA/DA and air traveling /hotel entitlement may be got approved from the competent forum.

No progress was intimated till finalization of this report.

4.12 **Irregular expenditure on Technical R&D projects - Rs 702.753 million**

According to section 8.1 of Policy Framework, in the initial phase of funding, the Fund will allocate major portion of its resources in Human Resource Development. Second priority will be given to National Productivity Enhancement via infrastructure development and identification of comparative advantage and capitalizing on this advantage through development in indigenous industry. Investment will also be made in ICT product and market development and multi sectorial development via ICT proliferation. Further, the areas selected for investment may consist of both thematic and non-thematic categories. Priority will be given to the thematic areas. Further, as per para 3.2 & 3.3 of the operation manual, the funding will be made in solicited and unsolicited programs. The Board will approve themes and request for proposal (RFP) will be launched by the publication department. Through RFP, industry and relevant parties will be invited to submit the proposals.

Contrarily, it was observed that all the funding was made in unsolicited projects. No RFP was designed and no proposals were invited through publication. All the proposals were submitted by the individuals and the same were approved by the CEO himself because the same remained within his competency. Further, not a single project was completed till date despite the fact that time periods had since been lapsed. The guidelines provided in the policy were totally ignored

and 100% funding was made in technical R&D Projects. Total funding till date on Technical R&D Projects was Rs702.753 million and no amount was invested in the priority area i.e. HRD. Funding to the proposals against the provisions of the Operation Manual was irregular.

It was replied in January 2013 that although the funding of all projects so far was against unsolicited non thematic proposals as the thematic areas could be made mainly through solicited proposals. But our first priority was to develop an ICT R&D culture and for that we had to develop an eco system so that researchers get used to the idea of funding being available in their area of expertise and that they start submitting proposals so that we can initiate funding related projects. The fund has started to work on a number of initiatives which we are confident will overcome our past years shortcomings. Several human resource development (HRD) projects have been initiated by the company. In addition to the above, every Technical R&D Project has a considerable amount of HR component in it which also serves our mandate of providing funding in Human Resource Development area.

The reply was not acceptable being contrary to the provision of operation Manual of National ICT R& D Fund.

Matter may be investigated for facts finding & fixation of responsibility for funding the projects against the provisions of the manual and principles of financial propriety.

No progress was intimated till finalization of this report.

4.13 Unjustified payment against National ICT Scholarship Program-2011 - Rs 10 million

According to clause 4.1 of the contract agreement made between National ICT R&D Fund and Sukkur Institute of Business Administration (SIBA) Sukkur, the Company shall release the grant in

accordance with the approved budget and as given in the Phase Disbursement schedule on quarterly basis. However, one-off expenditures such as security deposit, admission fee etc shall be paid by the company upfront. Clause 4.2 of the agreement stipulates that no payment in excess of the grant shall be made without express amendments made to appendix-A.

Contrary to above, it was observed that National ICT R&D fund made payment of Rs 10 million in advance to the IBA Sukkur instead of Rs 5.120 million (upfront payment of 1st quarter) in violation of the above clauses of the agreement. It was mandatory to obtain a bond from the scholarship holders regarding stay for two years in Pakistan but the requisite bond has not been got signed even after lapse of four quarters. According to clause 6.1 of the agreement, the institute will provide the requisite reports of the students after completion of every quarter/semester to the Company in a timely manner but neither the requisite documents have been obtained from the institutions nor has any monitoring been done by the R&D fund despite the completion of all the four quarters.

It was replied in January 2013 that this was an adhoc payment released at that time by the Ex-CEO keeping in view the issues being faced by the students of the universities. The student bonds will be signed during monitoring visit planned in Spring 2013 semester. Requisite documents for Student Results have been submitted by IBA-Sukkur. Delay in submission of required documents is due to late compilation of results by the university.

The reply was not acceptable as it was not covered under the clauses of contract.

Audit requires that matter be investigated for facts finding.

No progress was intimated till finalization of this report.

4.14 **Irregular advance payment to National University of Science & Technology - Rs 4.30 million**

According to clause 4.1 of the contract agreement made between National ICT R&D Fund and National University of Science & Technology (NUST), the Company shall release the grant in accordance with the approved budget and as given in the Phase Disbursement schedule on quarterly basis. However, one-off expenditures such as security deposit, admission fee etc shall be paid by the company upfront. Clause 4.2 of the agreement stipulates that no payment in excess of the grant shall be made without express amendments made to appendix-A.

Contrary to above, it was observed that National ICT R&D Fund made payment of Rs 4,300,000 to the NUST instead of Rs 1,519,000 (upfront payment of 1st quarter) which was more than 100 % advance payment. According to the PC-I of the National ICT Scholarship Program, all the student who are awarded scholarships under National ICT R&D Fund Scholarship program shall be bound to sign a bond to stay for two years in Pakistan but the requisite bond has not been got signed even after elapse of four quarters. No monitoring plan has been devised by the R&D Fund to monitor the high value project.

It was replied in January 2013 that this was an adhoc payment released at that time by the Ex-CEO keeping in view the issues being faced by the students of the universities. Monitoring visits of different colleges (PNEC, CEME, MCS and SEECS) was conducted in the month of November and December 2012, out of 14 students 13 students bonds were signed and one student was absent during the visit.

The reply was not acceptable as more than 100% advance

payment was released in violation of the contract clause. The documentary proof regarding signing of the bonds has not been provided.

Matter may be investigated to fix the responsibility for advance payment over and above the admissible amount.

No progress was intimated till finalization of this report.

4.15 Extravagant expenditure on dinner - Rs 1.170 million

According to Cabinet Division's O.M No.1/13/2000-imp-n dated 11.10.2000, strict austerity should be observed at all official functions. Tea and biscuits should be served even if the Chief Executive is the Chief Guest in the function.

Contrarily, it was observed that an expenditure of Rs 1,170,200 was incurred for dinner at Serena Hotel Islamabad on 11.05.2012 and on the publicity and advertisement of the event in the honour of Secretary General ITU. The expenditure is considered extravagant and irregular because the same is not covered under the rules. Detail is as under:

S.No	Vr. No and date	Description	Rate	Amount (Rs)
1.	09/12.05.2012	150 persons	4000	600,000
		Hall charges	50000	50,000
		Open Misc	10000	10000
		GST	16%	105600
2.	65/28.06.2012	Advertisement & Publicity of the dinner	-	404,600
TOTAL				1,170,200

It was replied in January 2013 that National ICT R&D Fund (the "Company") is a nonprofit public (guarantee) limited company, not having a share capital. The Company was set up under Section 42 of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies

Ordinance, 1984. The events such as a Dinner under the heading of Fairs & Exhibitions were approved in our Budget.

The reply was not acceptable being contrary to the Cabinet Division's instructions.

Responsibility for violation of govt. rules be fixed and the expenditure be got regularized from competent forum.

No progress was intimated till finalization of this report.

4.16 **Non approval of chart of accounts and accounting procedure from CGA**

According to Clause-11 of National ICT R&D Fund Rules-2006 issued by MoIT vide SRO No 1017(1)/2006 dated 30.09.2006, the accounts of the R&D Fund shall be prepared and maintained in accordance with the guidelines laid down by the Controller General of accounts under clause (d) of section 5 of the Controller General of Accounts (Appointments, Functions and Powers) Ordinance, 2001 (XXIV of 2001).

Contrarily, it was observed that Chart of Accounts being used by the National ICT R&D Fund had not been got approved from the Controller General of Accounts and Auditor General of Pakistan as required in the above mentioned rule. Further, the Accounting Procedure has also not been got approved despite the lapse of 6 years from the creation of National ICT R&D Fund.

It was replied in January 2013 that National ICT R&D Fund (the "Company") is a nonprofit public (guarantee) limited company, not having a share capital. The Company was set up under Section 42 of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies

Ordinance, 1984. The company was setup in line with the best international practices whereby an independent Board of Directors comprising of ex-officio office bearers in the Federal Government, nominees from the licensees and scientific and academic community, govern the activities of National ICT R&D Fund Company. All policies of the Company are approved by its Board of Directors.

The reply was not acceptable being contrary to the National ICT R&D Fund Rules 2006.

The chart of accounts and the accounting procedure be got approved from the competent forum under intimation to this office.

No progress was intimated till finalization of this report.

4.17 **Irregularities in the project “Campus Career Portal”- Rs 12.192 million**

A project titled “Campus Career Portal” submitted by CEO Lahore Medias Labs Lahore was approved at a cost of Rs 12,192,485 on 13.03.2008. The contract agreement was signed on 20 May 2008 and completion period was fixed 18 months i.e. November 2009 whereas the project was actually completed in March 2012 with a delay of 28 months. No time extension from November-2009 to March-2012 for the late completion has been given by the competent forum. According to equipment cost sheet, 21 Nos Server Hardware at a unit cost of Rs 180,000 each total amounting to Rs 3.780 million was required to be purchased. The PI submitted a change request suggesting that the renting of hosting facility should be availed which was subsequently approved by the management. The RFP was not prepared for renting of hosting servers. Only 3 quotations were obtained instead of completing the due process of PPRs .

It was replied in January 2013 that the project was completed in time, but due to various unavoidable reasons, the final payment was

not made, therefore no extension was required. Project Appraisal Committee (PAC) initially suggested calling of RFPs for the hosting services and then later on PAC lifted that condition. PPRA Rules do not apply to this funded project. National ICT R&D Fund being a funding agency uses PPRA Rules but they cannot and should not be applied to the projects being funded.

The reply was not based on facts and no documentary evidence has been provided in support of the reply. It is further added that PPRs are equally applicable to the ICT R&D Fund.

The matter may be investigated to fix the responsibility for the short comings as mentioned above under intimation to the audit

No progress was intimated till finalization of this report.

4.18 Non approval of pay package

According to Finance Division's OM Nos.F.1(38)/Imp-II/88 dated 11.7.1988, No.F.1(1)/ Imp/94 dated 26.6.99, No.F.4(2)/R-4-99 dated 13.1.2000 and No.F-4(8)R-4/2004 dated 19th July, 2004, the financial matters including revision of pay & allowances etc cannot be decided without approval of the Finance Division..

Contrary to above, it was observed that the National ICT R&D Fund which is guaranteed limited company and registered under section 42 of companies ordinance 1984, is fully owned by the Federal Government but the pay package of the company was not got approved from the competent forum as yet. Hence the expenditure incurred on the salary and perks stands irregular.

It was replied in January 2013 that National ICT R&D Fund (the "Company") is a nonprofit public (guarantee) limited company, not having a share capital. The Company was set up under Section 42

of the Companies Ordinance, 1984 and hence, is governed in accordance with the rules and procedures laid down in the Companies Ordinance, 1984. The company was setup in line with the best international practices whereby an independent Board of Directors comprising of ex-officio office bearers in the Federal Government, nominees from the licensees and scientific and academic community, govern the activities of National ICT R&D Fund Company. All policies of the Company are approved by its Board of Directors.

The reply was not accepted because the Company was a state owned entity and all financial matters including pay and allowances were required to be approved from the Finance Division.

The pay package of ICT R&D Fund company may be got approved from the competent forum under intimation to this office.

No progress was intimated till finalization of this report.

4.19 Non recovery of PSDP share from government of Pakistan - Rs 89.35 million

According to Rule 28 of GFR Vol-I, no amount due should be left outstanding without sufficient reason.

Contrary to above, it was observed that PC-I of the project titled "National ICT Scholarship Programme" was approved by the ECNEC at a total cost of Rs 2,414.84 million. As per PC-I the sharing cost for the FY 2011-12 was 50% by R&D and 50% by PSDP through MoIT. The funds received under PSPD were Rs 65 million. The National ICT R&D management incurred an expenditure of Rs 154.35 million under PSDP. Hence, an expenditure of Rs 89.35 million was received less than the actual share. Therefore, ICT R&D had to bear all the expenditure which was not justified.

It was replied in January 2013 that the Company has failed to

recover Rs.89.35 million from PSDP and hence it borne all the expenditure itself which is justified. It is to inform that the Company is continuously following up for release of the agreed and approved PSDP portion and even approached the honorable Prime Minister via Secretary IT on this issue.

Matter may be taken up with the concerned authorities for the release of funds or the PC-1 may be got revised.

No progress was intimated till finalization of this report.

4.20 **Misclassified expenditure - Rs 11.267 million**

According to S.No 4 (ii) of revised system of Financial Control & Budgeting 2006, the funds allotted to a Ministry/ Division, Attached Departments are spent for the purpose for which they are allocated.

It was observed that an expenditure of Rs 11,267,234 was incurred under the head of accounts Medical Charges, Consultancy Services, Legal Fee, Fairs & Exhibitions, Repair & Maintenance of Office Machinery, Repair of Office Bldg/Premises, Leave Encashment, Gratuity, Uniform & Liveries, Honoraria/Eid Allowance, Gratuity Payable and Other Receivable. The expenditure was debited to the wrong head of accounts instead of booking the same to their relevant head of accounts. Hence the accounts of R&D Fund do not show true picture of the balances/expenditure. The expenditure of Rs 11,267,234 was considered as misclassified.

It was replied in January 2013 that the Company's annual audit has completed and after discussion with the External Auditors we have made necessary reclassifications and any remaining amendments to the Chart of Accounts have been made for the year 2012 – 2013 and going forward all the observations of AGP have been incorporated.

The reply was not accepted because the Chart of Accounts has to be got approved from AGP through Controller General of Accounts.

The chart of accounts may be revisited and got approved from competent forum to avoid misclassification and get it verified from audit.

No progress was intimated till finalization of this report.

4.21 Irregular appointment of Manager HR

According to the advertisement for the Post of Manager (HR), the candidate must possess MBA Degree specialized in HR.

Contrary to above, it was observed that the post of Manager HR was advertised on 13th November, 2011 by the management of National ICT R&D Fund. The requisite qualification for the said post was Masters in Business Administration specialized in HRM. The selection committee recommended four (04) candidates for interview and final selection by the HRGC. Out of the four (04) recommended candidates, 03 candidates did again not possess the required qualification as they possess MBA (Marketing) & MBA (Finance) which clearly envisaged that short listing of irrelevant candidates was done only to give favor to choice candidate. HRGC approved the appointment of choice candidate which was considered irregular.

It was replied in January 2013 that out of the 9 candidates, 6 candidates had HR related qualification. Out of the 4 candidates shortlisted, 2 had relevant qualifications whereas 2 had MBA degrees with relevant HR Experience. Since it is a managerial position, the Human Resource Governance Committee (HRGC) of National ICT R&D Fund takes utmost care in choosing the right candidate. We however do agree partially with the auditor's observation that a proper panel of candidates should have been presented to HRGC.

The reply of the management that 6 candidates had HR related qualification was not based on facts and no documentary proof has been provided in support of the reply.

Matter may be investigated for fixation of responsibility for violation of rules.

No progress was intimated till finalization of this report.

CHAPTER-5

NATIONAL TELECOMMUNICATION CORPORATION

NATIONAL TELECOMMUNICATION CORPORATION

5.1 Introduction

National Telecommunication Corporation (NTC) was established on 1st January, 1996 under the Pakistan Telecommunication (Re-organization) Act, 1996. The Corporation is a body corporate, managed by a Management Board consisting of a Chairman and two other members, to be appointed by the Federal Government. NTC is working under the administrative control of the Ministry of Information Technology. NTC shall also maintain a fund known as NTC Fund which consists of grants, loans etc.

NTC shall for each financial year, prepare its own budget and submit it for approval of the Federal Government before 1st June every year. Any surplus over a receipt in every year shall be remitted to the FCF and any deficit from actual expenditure shall be made up by the Federal Government. The accounts of NTC shall be maintained in a form and format as the Federal Government may determine in consultation with the Auditor General of Pakistan. In addition to the audit by the Auditor General, NTC may cause its accounts to be audited by Internal or other external auditors.

Its main function is the provision of telecommunication services to its designated customers, which include Federal and Provincial Governments, Defence Services or such other Government agencies/institutions as the Federal Government may determine.

5.2 COMMENTS ON BUDGET AND ACCOUNTS

5.2.1 A comparison of the operating results of the NTC on the basis of draft accounts for the year 2011-12 with previous years is as under:

(Rs in million)

Particulars	2011-12	%age Incr/Dec	2010-11
Net Profit after tax	101.706	(68.287)	320.713
Cash & Bank Balance	1048.802	105.076	511.420
Operating Cost	2560.329	10.419	2318.746
Revenue	2281.243	(3.905)	2373.936
Creditors, Accrued & Other Liabilities	1051.629	40.195	750.117

5.2.2 The financial statements of the entity showed an "operating loss" of Rs 279 million whereas the Net profit after tax for the year 2011-12 had also decreased by 68% as compared to 2010-11. Considering only a 4% decrease in revenue it is evident that the entity had failed to keep operating and overhead costs in check causing their profits to decline steeply which requires immediate attention.

5.2.3 As per the Balance sheet of the entity the Cash and bank balance at the end of 2011-12 was at Rs 1,051 million out of which a significant portion was retained in deposit accounts. Further, the company had also held investments of Rs 2,062 million in several securities. The Act clearly states that any excess of receipts over expenditure be immediately deposited in to the Federal Consolidated Fund. Hence, retention of such huge sums requires justification.

5.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

Ministry of Information Technology NTC

S.No.	Audit Year	Total Paras	Total Directives	Compliance received	Compliance not received	%age
01	1996-97	16	3	3	0	100
02	1997-98	11	11	11	0	100
03	1999-00	19	19	9	10	47
04	2000-01	17	17	10	7	59
05	2001-02	16	16	12	4	75
06	2004-05	06	03	0	03	0
07	2005-06 SAR	31	31	0	31	0
08	2005-06	16	16	2	14	13
09	2006-07	04	03	0	03	00
10	2007-08	13	07	0	07	00
11	2008-09	14	14	4	10	29

AUDIT PARAS

5.4 Non-recovery of outstanding dues-Rs 53.225 million

According to Rule-26 of GFR Vol-I, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. Rule-28 of GFR Vol-I, further stipulates that no amount due to government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought. Furthermore, Annex-H of NTC Recovery, Dispute Resolution and Doubtful/Bad Debt Policy, the facility will be converted to one way with notice if the current dues are not paid within due date. In case a Government client/department fails to clear the dues within six months reckoned from the bill month, the facility would be permanently disconnected. Prior to permanent disconnection, a letter will be served by the Regional Head to an officer of equivalent grade (BPS 19/20) of the concerned Ministry/Department.

NTC management failed to recover an amount of Rs 53,225,044 from various designated customers on account of working, closed, DSL, casual, Unidentified and PABX connections during FY 2011-12. Detail is given in *Annex IV*.

Non recovery of the NTC receipts exhibits ineffective financial management in NTC and weak internal controls for the realization of receivables.

It was replied that efforts were underway to recover the outstanding dues from the subscribers.

Audit recommended that amount be recovered and get it verified from audit.

No progress was reported till the finalization of this report.

5.5 Outstanding Revenue Receipts - Rs 9.408 million

According to Rule 26 to 28 of GFR Vol-I, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and credited to accounts. No amount due to Government should be kept outstanding without sufficient reason.

In violation of the above, NTC management failed to recover an amount of Rs 9,408,015 on account of co-location charges and rent of microwave circuits from different telecom companies during FY 2011-12. Detail is as under:

S.No	Name of service	Amount (Rs)
01	Co-location Charges	7,612,070
02	Rent of Microwave circuits	1,333,027
03	Web Hosting & MSDN Intranet	462,918
TOTAL		9,408,015

It was replied that out of Rs 9,408,015 an amount of Rs 2,448,650 was recovered from different departments. However, hectic efforts were being made to recover the remaining amount.

Efforts may be made to recover the balance amount and recovered amount may be got verified from audit.

No progress was reported till the finalization of this report.

5.6 Non-realization on account of Pre-Deposit Works - Rs 37.718 million

As per Para 10, of Pre-Deposit Policy, upon completion of the work, the concerned Director shall prepare and issue the final capital cost bill. The client will be required to deposit/settle the bill within two months of the receipt of the Final Capital Cost Bill.

The review of statements of outstanding amount on account of Pre-deposit works revealed that NTC management failed to recover an amount of Rs 37,718,417 against pre-deposit works during FY year 2011-12. The detail of recoverable amount is as under:

S.No.	PDP No.	Name of Unit	Amount (Rs)
01	357-13	Director Development (South), Karachi	5,970,327
02	396-13	Director Development NTC, Lahore	10,303,488
03	405-13	Director Development (North), Islamabad	15,697,202
04	592-13	Director NTC, Quetta	3,989,601
05	599-13	DE Defence NTC, Rawalpindi	1,757,799
TOTAL			37,718,417

It was replied by the NTC units that final capital cost bills had been forwarded to the concerned agencies. The efforts were underway to recover the amount.

The reply was not tenable as the amount was not realized even after closure of the financial year. Audit recommended that amount be realized at the earliest and get it verified from audit.

No progress was reported till the finalization of this report.

5.7 Non recovery of penalty from M/s Net Access - Rs 6.6 million

According to clause 3.8 of the contract agreement signed between NTC and M/s Net Access vide NTC/Proc-Dte/Web

Hosting/09-10/12 dated 31.03.2010, in case of failure of services due to fault of contractor, contractor shall be liable to pay NTC an amount equivalent to Rs 10,000 per minute for the failure time.

In violation of the above, it was observed that a major breakdown of website and e-mail services for 11 hours occurred at 1225 Hrs on 31st January, 2011 and continued till 2355 Hrs. This outage had brought bad name to NTC. NTC was required to recover penalty as per agreement which was calculated by Director Data Com NTC Rs 6.6 million ($10000 \times 60 \times 11 = 6,600,000$) but the same was not approved and recovered. Only bank guarantee of Rs 570,000 was forfeited. Non recovery was a loss to NTC and against the contract conditions.

Audit pointed out this irregularity to the management during July & August 2012 but no reply was received.

Matter may be investigated for facts finding and fixation of responsibility for non-recovery of penalty in lieu of loss and bad name.

No progress was intimated till the finalization of this report.

5.8 Irregular deposits of revenue receipts in DDO account - Rs 1.062 million

According to the Para 7 & 14 of NTC Accounting Procedure conveyed vide SRO 171(1)99 Dated 20th March 1999, all receipts including telephone revenue and payment in lieu of leased/speech circuits should be deposited in the Revenue Account of the fund. The Cheques, bank draft, pay order etc shall be deposited in the revenue account within 24 hours of the receipts. Accounting procedure further stipulates that pre-deposit advances shall also be deposited in the main Revenue Account within 24 hours from their receipt.

During review of cash book, paid vouchers and other relevant record it was observed that NTC Directorates received an amount of Rs 1,062,180 on account of tender fee, pre-deposit receipts, guest room charges and private use of vehicles during FY 2011-12. The said amounts were deposited in the DDO Account instead of depositing it in the Revenue Account in violation to the above. Detail is as under:

S.No	PDP No	Name of Unit	Amount (Rs)
01	403-13	Director NTC Lahore	14,982
02	406-13	Director (Dev)NTC Islamabad	926,555
03	601-13	DE Phone Rawalpindi	120,643
TOTAL			1,062,180

It was replied by the Director Development, Islamabad that all receipt had already been deposited in the revenue account. As regard deposit of tender fee the point was noted for future compliance. As regard Director NTC Lahore it was replied that guest room charges and private use of vehicle does not classify under head telephone revenue and income from leased/speech circuits, therefore, the same was deposited into NTC account. DE defence, Rawalpindi did not respond.

The justification/replies were not acceptable to Audit as no documentary evidence was provided in support of the justification.

Audit recommended that detailed reply with documentary evidence be provided to proceed further in the matter.

No progress was intimated till the finalization of this report.

5.9 Un-authorized payment of allowances and re-imburement of prolong medical treatments - Rs 13.345 million

Finance Division vide notification No. F.4 (7) R.4/2009 dated 13.07.2012, approved the payment of allowances and frozen those at

the level of 30.06.2011. The approved rate of allowances is as under:

Outdoor Treatment Allowance 2011	14% & 17% to officers & staff
Utility Allowance	10% to officers and staff
Adhoc Relief Allowance 2009	15% & 20% to officers & staff
Adhoc Relief Allowance 2010	50% to officers & staff

Further, NTC circulated Medical Policy vide HR.18-48/2011 dated 13.06.2011 and approved by the Finance Division medical allowance @ 14% & 17% of basic pay has been allowed to NTC employees instead of previous policy in which outdoor medical, prolong medical and dental treatment was allowed. The policy approved by Finance Division has no provision for outdoor medical treatment of any kind i.e. prolong treatment, critical treatment etc.

Test check of paid vouchers revealed that NTC management paid an amount of Rs 13,344,917 on account of allowances in excess of the approved rates by the Finance Division & reimbursement of medical charges/prolog medical treatment in violation of the above. Detail is as under:

S.No	PDP No	Name of Unit	Amount (Rs)
<i>Allowances (Outdoor, Utility & Adhoc reliefs)</i>			
01	281-13	NTC Headquarter	6,551,064
02	344-13	Director NTC Islamabad	3,342,768
03	411-13	Director (Dev) NTC Islamabad	219,420
04	582-13	Director (Dev) NTC Peshawar	1,039,254
05	603-13	DE Phone Defence Rawalpindi	489,231
06	612-13	Director NTC Lahore	616,734
<i>SUB TOTAL</i>			<i>12,258,471</i>
<i>Outdoor/Prolong Medical Treatment</i>			
07	583-13	Director NTC Peshawar	29,232
08	623-13	NTC Headquarter	947,214
<i>SUB TOTAL</i>			<i>976,446</i>
<i>GRAND TOTAL</i>			<i>13,344,917</i>

It was replied that the orders regarding approval of allowances by Finance Division received in July 2012, the case had already been processed for implementation of the decision.

The reply was not tenable and audit recommended that amount paid in excess of the approved rates may be recovered or get it regularized from competent forum.

No progress was intimated till the finalization of this report.

5.10 Irregular expenditure without tendering- Rs 8.998 million

According to Rule 12 (1) & (3) of PPRs 2004, procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

In violation of the above, NTC management incurred an expenditure of Rs 8,998,107 on account of procurement and various works without inviting open tenders during FY 2011-12. Detail is as under:

S. No	PDP No	Name of Unit	Description	Amount (Rs)
01	219-13	NTC Headquarter	Procurement of Batteries	260,560
02	225-13	-do-	Purchase of computer stationary	1,042,331
03	351-13	Director NTC Islamabad	Procurement of 24 ports ADSL 2 by changing specification	265,060
04	353-13	-do-	Procurement of generator	161,325
05	354-13	-do-	Repair of AC unit in a splitting manner	776,746
06	407-13	Director (Dev) NTC Islamabad	Procurement of MSAG equipment	3,666,000

07	584-13	-do-	Repair of modules	367,500
08	608-13	-do-	Re-location/provision & laying of 1200 pair UG cable	1,843,298
09	609-13	Director NTC Lahore	Repair of generator & underground cable	615,287
TOTAL				8,998,107

It was replied that initially open tender was floated in electronic media but NIL participation found. Usually firms tend to avoid participating in low cost tenders rather processing through quotations. It was further replied that two purchase orders were placed upon M/s DWP Technologies for Supply of Consumables for Xerox EPS 4110 printer amounting to Rs 828, 805 and Rs 231,525 on dated 24th May, 2010 & 24th December, 2010 respectively on proprietary basis. Other procurements were made from the sole proprietor or in case of emergency.

The reply was not acceptable being against the provisions of the rules. The claim that the supplier was the authorized dealer was not accepted. It was required to prove that M/S DWP was the only sole distributor in Pakistan on behalf of M/S Xerox.

Audit recommended that matter be investigated for facts finding and fixation of responsibility for violation of rules.

No progress was intimated till the finalization of this report.

5.11 Unauthorized transfer of funds without sanction of competent authority - Rs 3,102 million

According to para 51 of GFR Vol-I, financial sanctions and orders of the competent authority should be issued. The sanctions should specify the definite amount and should be expressed both in words and figures.

In violation of the above, an amount of Rs 3,102,000,000 was transferred from NIDA-1 to DDO Headquarter A/c No. 10754-2 without any sanctions of the competent authority. The record showed that a bank advice was issued to the bank by the signatories without any authority from the sanctioning authority. Out of this, an amount of Rs 1506.585 million was transferred to Regions on the same pattern. The transfer of funds without sanction was considered financial indiscipline and loose internal control in the organization.

It was replied that NTC Accounting procedures were strictly being followed and amount was released after allocation of funds. Any amount from NTC NIDA-1 account to NTC HQs DDO account was transferred on requirement basis. Transfer of money to regional DDOs would lead to blockage of funds.

The reply was not accepted being irrelevant. No answer to audit observation regarding non issuance of financial sanction was provided. The signatories nominated for signing the bank advice should have been vigilant regarding sanction of the amount being transferred but the role was very poor and leads to loose internal and financial controls. Responsibility needs to be fixed for violation of rules.

No progress was intimated till the finalization of this report.

5.12 Irregularities in investment of trust funds (Pension, GPF, Insurance Fund etc) amounting to Rs 3,208.774 million

According to para 4 of Ministry of Finance, (Budget Wing), O.M No.F.4(1)/2002-BR-11 dated 02.07.2003, Public sector entities, which are holding trust funds such as Pension funds, Benevolent Fund or Insurance Funds, will devise their investment policies through their own board; Para 6 states that before making any investment, it would be necessary to set up professional investment committee with

investment approval authority. Investment committee should be assisted by investment management unit employing qualified staff with at least 3 to 5 years of experience of managing investment. However, it will be necessary for public sector enterprises to *use the services of professional fund managers approved by SECP*; and Para 7 further stipulates that the chief executive of the autonomous body will be required to issue a certificate on annual basis that the above instructions are being followed in respect of working balances and surplus funds of the organization.

In violation of the above, NTC made an investment of Rs 3,208,774,149 against employees related funds in different banks on the recommendations of investment committee and audit committee as approved by NTC Management Board despite pointing out in previous Audit Report. The investment was made without the deployment of qualified staff as required in Finance Division's letter. Further, the Approved Funds Managers of SECP were not hired and certificates as required had also not been issued by NTC Chief Executive. Due to the non-observance of formulation of investment committee in line with the approved mechanism of Finance Division, the chances of favoritism in selection of banks with profit rates and subsequent investments cannot be rolled out. Therefore, the investment without following the approved procedure was irregular.

It was replied that NTC had devised its investment policy and at the time of formulation of NTC investment Policy verbal clarification was sought from SECP's concerned official regarding use of services of professional Fund Manager approved by SECP. It was clarified that the hiring of professional Fund Managers was necessary for the entities who invest their funds in shares, debt instruments etc.

The reply was not acceptable in the light of decision of inquiry committee constituted in case of investment in Crescent Bank. The

rules and regulations for the establishment, maintenance and operation of employees funds approved from the Ministry in consultation with Finance Division were not made. Further, Employees Funds Trust was not approved till date. Responsibility for non-observance of recommendations of Committee may be fixed.

No progress was intimated till the finalization of this report.

5.13 Unauthorized investment of funds - Rs 1,566.381 million

According to Ministry of Finance OM No F.3(11)-Exp-1/73 dated 08.02.1974, the organization established under statutes, the financial powers of their governing bodies are normally laid down in the relevant statute. NTC has been established through Telecommunication (Re-organization) Act, 1996. There is no provision under section 41 of the Act which allow NTC to make investment of surplus funds. However section 41 (9) clearly states that “any surplus receipt over actual expenditure in a year shall be remitted to Federal Consolidated Fund (FCF) and any deficit from actual expenditure shall be made up by Federal Government”. Further, Finance Division OM No F.4(1)/2002-BP-11 dated 02.07.2003 provides that working balance limit of each organization should be determined with the approval of Administrative Ministry in consultation with Finance Division and the amount of working balance may be maintained in the current or SB account.

Approved working balance of NTC was Rs 300 million which could be placed in a bank as per approved policy whereas NTC made an investment of Rs 1,566,380,893 in commercial banks without any legal authority. The investment was made without any approval from the Finance Division in violation of the above.

It was replied that calculation of surplus/deficit may be seen from the cash flow statement being part of NTC Audited accounts

where it was obvious that NTC own investment were part of cash available which was appropriated against General Provident Fund, Pension Fund, Development/replacement of assets, Working Capital and accrued & other liabilities. If any surplus was determined, after appropriation as per Annexure – C (3) to the S.R.O No. 171(i)/99 dated 8th February, 1999, would be remitted to Federal Consolidated fund. if not appropriated for next year.

The reply was not acceptable being against the facts. It was observed that each year NTC management got approved ADP for an exaggerated figures and invest these funds without any legal authority. The actual expenditure for the year 2011-12 was Rs 350 million against approved ADP of Rs 1,200 million. The investments were made only to avoid remittance of surplus to FCF. The certificate issued by the Chairman that no surplus funds were invested was not based on facts.

Audit recommends that matter may be investigated at MoIT level with representative of Ministry of Finance and responsibility be fixed for irregular investments.

No progress was intimated till the finalization of this report.

5.14 Irregular insurance from State Life Insurance Corporation of Pakistan and payment - Rs 56.598 million (Rs 9.06 million for 2011-12)

According to Section 2 of Federal Employees Benevolent Fund and Group Insurance Act 1969 and Rules 1972, the Act extends to the whole of Pakistan and applies to every employee wherever he may be. As per Section 4(e) *ibid*, employee means an officer or servant of such body, corporation, institution, organization or autonomous body.

NTC remained under Federal Employees Benevolent Fund and Group Insurance (FEBF&GI) from 10.04.1997 to 31.07.2003 as per

Act and rules. However, NTC detached the organization from FEBF&GI from 01.08.2003 and entered into an agreement with State Life Insurance Corporation of Pakistan (SLICP) for its employees on the premium decided between both parties. The reasons given in the approval to shift against Act and rules were as “SLICP offers more insurance coverage lesser premium.” The decision of NTC management was not in order in the light of FEBF&GI Act and rules. Thus the payment of Rs 56,597,661 made from 01.08.2003 onward to SLICP instead of FEBF&GI was irregular and unauthorized. Further, in the presence of pension and GPF Schemes, insurance from other agency was not covered under the rules.

It was replied that the employees are assets of any organization who devote their life to contribute towards the achievement of goals of an organization and organizations adopt various schemes for the social **benefits of their employees**. Hence, in recognition of the services of **NTC employees and welfare** and to enhance their efficiency towards **achievements of NTC goals**, NTC Management Board approved **adoption of “State Life Insurance Corporation – (SLIC)”** for all regular employees of NTC with effect from 01/08/2003

The reply was not acceptable being against the rules. Responsibility may be fixed for violation of rules and approval of the competent authority for adopting State Life Insurance instead of Federal Benevolent & Group Insurance may be provided.

No progress was intimated till the finalization of this report.

5.15 **Unauthorized expenditure incurred without Revision of PC-I-Rs 367.869 million**

According to Planning and Development Division Islamabad letter vide No. 2(1-29) DA/PC/86 dated 15th April, 1989, the projects

are required to be re-submitted for fresh approval of the competent authority in case the scope/cost of the project increases (or decreases) beyond 15% of the original approved scope/cost (excluding FEC fluctuation). It was also directed by Planning Commission in project guidelines that if there is a major change in the scope of the project (15%) get the project revised immediately and approved from competent forum.

Contrary to the above, PC-I regarding establishment of Optical Fiber Based Transmission Links (2.5/GBS) between Keti Bander to Jewani along the Coastal Highways was approved by ECNEC with a cost of Rs 627.137 million. The major changes in the scope of work in the project were made at more than 15% permissible limit of cost but the project management did not prepare the revised PC-I for approval of competent forum. An expenditure of Rs 367,869,622 was incurred on this project which was held irregular. The detail in the change of scope of work approved and deviated is as under:

Scope of work provided in approved PC-I	Actual work executed
Laying of optical fiber cable from Ketyy Bandar to Jiwani	Optical fiber cable laid from Zulfiqarabad/Port Qasim to Jiwani reducing 140 Kilometer work
Optical fiber cable to be laid 400 Kilometer	237 Kilometer optical fiber cable laid
No provision to lay optical fiber cable in Karachi area as the scheme was to lay optical fiber cable along the coastal highway	85 Kilometer optical fiber cable laid in Karachi city area
Provision for construction of NTC buildings at Port Qasim and Badoo was not provided	NTC building at Port Qasim and Badoo were executed
Provision for 03 Engine Generators for back up was made	Procured 20 Diesel Generators of 27 KVA

It was replied that the scope of the project had neither been changed nor deviated. As per scope, the telecom facilities were

required along the Coastal Highway from Keti Bandar/Port Qasim till Jiwani. So, the same actions were implemented and Optical Fiber Link was established from Keti Bandar/Post Qasim till Jiwani and STM-16 (2.5/Gbps) equipment was installed at each coastal site as mentioned in project's title. However, as the project was now completed, its revision on actual cost basis was in process and will be submitted to the competent forum. A copy of revised approval will be provided to Audit authorities.

The reply was not acceptable as the deviation was made in the approved PC-I.

It is recommended that matter may be investigated and responsibility be fixed for non-revision of PC-I. The revised PC-I be got approved from the competent forum and get it verified from audit.

No progress was intimated till the finalization of this report.

5.16 Non-recovery from National Highway Authority on account of damage cable - Rs 4.00 million

Rule-26 & 28 of GFR Vol-I stipulates that it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. No amount due to government should be left outstanding without sufficient reasons, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

Contrary to above, it was observed that NTC underground cables were damaged by the National Highway Authority between S.S. Chowk to Uthal section (105 to 121 KM) due to road extension work. NTC Management claimed Rs 4.000 million from NHA but no progress could be achieved so far.

It was initially replied that the case was pursued with NHA Authorities for recovery of claimed amount and hopefully the case shall be settled shortly.

The reply was not tenable as no recovery was made up till now.

It is recommended that effective steps be taken to recover the outstanding claim.

No progress was intimated till the finalization of this report.

5.17 Irregular expenditure on the Project of Optical Fiber- Rs 3.950 million

According to Serial No.4(ii) of System of Financial Control and Budgeting issued by Finance Division vide O.M. No.F.3(2)Exp.III/ 2006, dated 13th September, 2006, The Principal Accounting Officer is personally responsible to see that the funds are utilized for the purpose for which they are allocated.

Contrary to above, the Project of Optical fiber cable in Karachi was completed in August 2006 and handed over to the Maintenance Division but an expenditure of Rs 3,949,706 was incurred during April 2007 to July 2007 on repair of damaged optical fiber cable and charged to the Project instead of to the repair & maintenance of line and wire.

It was replied that in this case NTC HQ granted ex-post facto approval for making expenditure from CFP fund. Keeping in view, the said observation may be dropped.

The reply was not acceptable as no documentary evidence was provided in support of the reply. Moreover, the receipt was utilized in violation of rule.

Audit recommended that responsibility for violation of rule be fixed and funds be obtained in proper head of account.

No progress was intimated till the finalization of this report.

5.18 Over charge to head laying / paying of cable of Project - Rs 102.00 million

According to the Serial No.5 (b) to the Finance Division letter No.F.3(2) Exp.III/2006 dated 13th September, 2006 the Principal Accounting Officer shall ensure that the funds allotted to a Ministry/Division, etc, are spent for the purpose for which these are allotted. He shall also ensure that the expenditure falls within the ambit of a Grant or an Appropriation duly authenticated, is normally proportionate to the budget allotment and that the flow of expenditure does not give rise to demand for additional funds.

Contrary to the above, the funds for laying/paying of cable of the Project of optical fiber were admissible to the tune of Rs 48 million but an amount of Rs150 (M) was charged to the Project under the head. Resultantly, an amount of Rs 102 million was charged in excess and the project was over stated to that extent.

It was replied that the admissible amount of PC-I under the head of "Provision and laying of optical fiber cable (18-Fibers)" comes out to Rs 273,245,000 instead of Rs 375,245,000 after correcting the calculation mistake. However, the total expenditure incurred under this head was Rs 214.245 million which was within the corrected permissible limit of PC-I. The calculation error will be rectified in revised PC-I, and shall be submitted for approval of competent authority. As no financial irregularity exists, therefore the observation may kindly be dropped.

The reply was not acceptable as the documentary evidence in support of reply and copy of the revised PC-I were not provided.

The matter may be investigated to fix the responsibility for incurring the over and above expenditure of the admissible amount and get it regularized in the revised PC-I.

No progress was intimated till the finalization of this report.

5.19 Non-surrender of savings at the end of financial years and utilized in subsequent financial years -Rs 72.213 million

According to rule 95 of GFR-Vol-I savings accruing from funds after 31st March should be surrendered to Government immediately they are foreseen but not later than 30th June of each year. The savings should not be held in reserve to meet possible future excesses.

Contrary to the above, the savings against the funds allocated for the project optical fiber cable were not surrendered at the end of financial year and allocation in one financial year was transferred in subsequent years resulting unauthorized expenditure of Rs 72.213 million as detailed below.

(Rs in million)

Year	Release	Expenditure	Saving
2003-04	128.681	85.336	43.345
2005-06	176.700	147.832	28.868
Total:	305.381	233.168	72.213

Source monitoring report

It was initially replied that the balance was retained with the project authorities as several committed payments were liable to be paid under the project after satisfactory completion of warranty period. Such as retention money of contractors/security deposits were withheld at that time and paid thereafter accordingly. As there is no financial irregularity so the memo kindly be dropped.

The reply was not acceptable as the funds of the preceding year were transferred to the next financial year. Audit recommended that responsibility for violation of rule be fixed.

No progress was intimated till the finalization of this report.

5.20 Irregular and un-economical expenditure on civil works- Rs 7.633 million

According to rule 12 (2) of Public Procurement Rule 2004 provides that all opportunities over two million rupees should be advertised on the authority web sites as well as in other print media on newspapers having wide circulation. Further, according to Planning Division instructions, Project implementation agencies/departments should seek the approval of the competent authority as soon as they consider change in scope of work or revision in cost.

Contrary to above, an expenditure amounting to Rs 7,632,557 incurred on civil works without obtaining the competitive rates and provision in the PC-I of the Project as detailed below:

S. No	Site Name	Description	Amount (Rs)
1	Port Qasim	Construction of NTC building	3,318,607
2	Badook	Construction of NTC building	782,875
3	Hub	Additional exchange and residential building works	719,166
4	Agore	-do-	410,770
5	Omara	-do-	649,137
6	Pasni	-do-	1024 155
7	Gawader	-do-	727,847
TOTAL			7,632,557

It was replied that revised quantities of building works of these two sites had already been approved by NTC management and incorporated in revised PC-I.

Reply was not acceptable because the civil works were executed without competitive rates and in deviating from PC-I provision.

Responsibility for violation of rules may be fixed and gets the revised PC-I approved from the competent forum.

No progress was intimated till the finalization of this report.

5.21 Uneconomical Expenditure on Hiring the Services of Security Guards - Rs 2.280 million

As per Rule 12(2) of Public Procurement rules 2004, all procurement opportunities over two million rupees should be advertised on the authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Contrary to the above, NTC management incurred an expenditure of Rs 2,280,258 on hiring of services of security guards against the project "Establishment of optical fiber based transmission links (2.5GBS) between Keti Bander to Jiwani along the costal Highways" without calling open tenders to obtain the competitive rates. Thus, the expenditure was held uneconomical as no tender was called for hiring the security guards services as required under Public Procurement Rule 2004.

It was replied that only one company operates and offer security guard services along the Coastal Highway belt of Baluchistan due to grave law & order situation of the area. So, to ensure safeguarding of Telecom infrastructure installed at Coastal Project sites, we hired guarding services from the same agency being a proprietary service provider. However, a proper contract agreement in

this respect was signed with the security agency with competitive rates of guarding services as already in vogue at several other NTC exchanges sites country wide.

The reply was not acceptable as the tender was not called for healthy competition. The matter may be investigated to fix the responsibility for violation of rules.

No progress was intimated till the finalization of this report.

5.22 **Loss due to non-operation of the Coastal Project- Rs 48.927 million**

According to PC-1 this scheme was prepared for establishment of NTC fibre based transmission link (2.5GB/s Capacity) between Ketty Bandar to Jiwani along with Coastal Highway.

Project management completed the provision, laying and commissioning of optical fiber cable from Port Qasim to Jiwani work in August 2006 and building work in December 2007 with capital expenditure of Rs 367.870 million. But the transmission link between Port Qasim to Jiwani was not established due to non-availability of cable link from NLC (PNAD to Gawader) which resulted into loss of Rs 48,927,707 due to non-operation of the Project as envisaged in PC-I as under:

Year	Revenue	(Expenses)	Pre-tax Profit	Taxation	Profit after tax
01.	84,168,480	74,851,846	9,316,634	3,074,489	6,242,145
02.	84,168,480	74,851,846	9,316,634	3,074,489	6,242,145
03.	84,168,480	74,851,846	9,316,634	3,074,489	6,242,145
04.	122,121,600	77,045,075	45,076,525	14,875,253	30,201,272
TOTAL					48,927,707

It was replied in August 2010 that utmost efforts were made to

take two OFC pairs from NLC for connecting and provisioning of services which included advance payment to the extent of Rs 43 million. A lot of correspondence and meetings had been held with NLC higher management through planning commission, MoIT and Ministry of Defence but all in vain.

The reply was not acceptable as project objective was not achieved and capital expenditure was blocked and projected revenue was not gained.

It is recommended that matter may be investigated with a view to fix the responsibility causing loss to the Government ex-chequer.

No progress was intimated till the finalization of this report.

5.23 **Un-necessary burden on NTC due to unwise decisions**

According to Rule 11 of GFR Vol-I, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officer.

It was observed that NTC carried out a consultancy through M/s TEACH during 2010-11 on NTC regarding different aspects due to which NTC could not implement ADP effectively. The consultant analyzed HR data and reported under para 3.3 titled "NTC Organization Structure and Staff" that there were 368 Chowkidars out of total 2906 employees which was very high and needed review. The data of Chowkidars made available to audit revealed that NTC was vested with 175 Chowkidars for M/W repeater Stations and offices. NTC M/W system was closed in 2005 and some equipment like towers, antennas, radio sets etc was auctioned during 2008-09 to 2010-11 because they no more required. NTC management instead of utilizing the available strength of 175 chowkidars for remaining M/W

stations hired the services of Chowkidars on regular and contract basis (193 in numbers) after the close of system. As NTC was shifted to Transmission Media from M/W, the curtailment in staff was required but there was a reverse situation. Most of the Chowkidars were hired on regular & contract basis after the closure of M/W system. There was no justification for appointments against the closed M/W system.

No reply was given by the management.

Matter needs an investigation for facts finding and fixation of responsibility regarding un-necessary employment of Chowkidars after the closure of M/W system and shifting of NTC on transmission media.

No progress was intimated till the finalization of this report.

5.24 **Malpractices in award of consultancy - Rs.11.58 million**

According to Establishment Division MS Wing's U.O No.11-3/2001-MSW-111 dated 05.01.2002; consultancy should be widely advertised indicating the requirements and it shall indicate the range of compensation package. A competent Selection Board of the client organization including a representative of the P&D Division shall recommend a panel of at least three names to the appropriate approval forum.

It was observed that an MOU was signed on 24.08.2009 between NTC on behalf of GoP and ZTE, China with the scope as Establishment of Emergency Response Communication System; E-Governance System & Infrastructure; and IT University. CDWP cleared the concept on 08.06.2010 and recommended for negotiations with Chinese Government for bank loan. ECNEC in its meeting of 09.12.2010 advised NTC to conduct independent feasibility analysis of the project. The following irregularities were observed:

1. NTC advertised the tender for hiring consultancy services for feasibility analysis & Request for Tender (RFT) preparation without revalidating the MOU which expired on 24-09-2010. All the stake holders e.g. NDMA, Provincial Governments and others were not taken on board before initiating the process of hiring consultant and awarding the consultancy. Due to poor participation, NTC re-tendered but no consultant firm qualified as per the terms of RFT. However, it was noted that an LOI (Letter of Intent) was issued to M/s CCS Com service Pakistan Solutions on 12.05.2012 on Sunday (holiday) by the G.M Central NTC without any authority. The firm had neither participated in any tender/bid process nor even purchased consultancy tender document.
2. Chief Engineer (Dev) was authorized convener as per NTC accounting procurement procedure for opening & evaluation of tenders but the latest tender was opened on 18.06.2012 by a committee headed by an un-authorized officer i.e.G.M Central.
3. GM (Central) approved the recommendations for issuing LOI to M/s CCS Com service by tempering the marks sheet only to prove that M/S CCS was the top scorer. Ultimately, LOI was issued again on 27.06.2012 for the task at a cost of Rs 11.58 million. There were a lot of observations from pre-audit, Internal audit of NTC, DG (Technical) DG (Finance) on the issuance of LOI to M/s CCS Com service on the terms and conditions of the consultant because the consultant had refused to sign the contract prepared by NTC.
4. Only PC-II was approved by DDWP and PC-I was yet to be approved by CDWP/ECNEC. No funds were provided by the GoP which was a pre-requisite before the award of consultancy. However, NTC awarded the consultancy without the approval of the competent forum and created a liability.

It was replied that this office was not involved in the process of LOI issuance to M/s CCS. The officer (G.M Central) had issued LOI without any tendering/bidding process in which M/s CCS participated. LOI was not processed from file of Procurement Directorate NTC H/Q hence no detail/record and documentation was available with procurement. Similarly the committee constituted for this LOI was also not recommended/ proposed by Procurement Directorate. In the light of the LOI issued on 27-June-2012, a contract agreement was prepared on the basis of RFT terms and payment schedule approved by NTC Management. However, the consultant firm M/s CCS Com service refused to sign the contract. After refusal from M/s CCS Com service, DG (Finance) relaxed the payment terms and reduced the scope of work and ordered to sign the contract as per new instructions. It is further enunciated that MoIT/GoP instructed NTC to expend the money on the feasibility study from NTC's own resources.

The reply was not accepted being not based on facts. Matter may be investigated at an appropriate level for fixation of responsibility for issuance of LOI by an un-authorized officer. It may also be investigated how the M/S CCS was involved in the tendering process without the purchase of bidding document.

No progress was intimated till the finalization of this report.

5.25 Non transparent procurement of stores - Rs 70.425 million

According to Rule 2(1) (c) of PPRs 2004, competitive bidding means procedure leading to the award of a contract whereby all the interested persons, firms, companies or organizations may bid for the contract. Further Rule 4 ibid clarifies that procuring agencies while engaging on procurements shall ensure that procurements are conducted in a fair and transparent manner, the objective of procurement brings value for money to the agency and the procurement process is efficient and economical. In addition rule 32

bound that no procuring agency shall introduce any condition, which discriminates between bidders.

It was observed that bids for procurement of stores for ADP & O&M 2010-11 were invited on 18.04.2011 wherein it was categorically mentioned that all Manufacturers/Principals and authorized firms/re-sellers were allowed to participate in the bids. Later on NTC management decided to allow only manufacturers to participate and discriminate the original tender. Discriminatory decision regarding participation of only manufacturing firms restricted the participation of two bidders and restricted the competition. After evaluation of bids on 23.05.2011 two firms i.e. M/s Premier Cables and Pakistan Telephone Cables were declared lowest bidders in Primary & Secondary Cables respectively. Both the firms participated in Primary and Secondary cables and quoted the rates by each in one category lower than the other so that both may get the contract which was not fair. Both offered rebates in their relevant supplies intentionally as evident from the record and obtained orders for Rs 17,745,223 and Rs 44,485,000 respectively. The procurement process was unfair and non-transparent which defeated the principles of procurement.

It was replied that NTC Management on 28th April, 2011 i.e. before opening of bids decided to allow manufacturers only in the tender with the plea that re-sellers / Distributors may quote cable with sub-standard material in order to compete manufacturers in the open tender. Furthermore, it may be a chance that cable quoted may have been abducted from some other operator's store. In order to cater any un-pleasant situation in future, this decision was made being the right of NTC before tender opening. The same decision was advertised in print media with reference to subject tender on 29th April, 2011. Difference in value of amount of work awarded to both major contractors i.e. M/s PTCL & M/s Premier negates the doubt of pooling

by contractors as consumption pattern in secondary cables is more than primary cables resulting increased scope of work.

The reply was not accepted because the documents of bids proved that the rates were entered in same hand writing by both the firms and the pattern of quoting the rates and offering rebate showed that some information was leaked with the connivance of the procurement branch to the bidders. The offer of rebate by the both had also made the procurements non-transparent. Matter may be investigated for facts finding and fixation of responsibility for wrong doings.

No progress was intimated till the finalization of this report.

5.26 Ill planning in procurement of stores of ADP 2010-11 - Rs 70.425 million

According to Rule 2(1) (l) of PPRs 2004, “value for money” means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source and the combination of whole-life cost and quality to meet the procuring agency’s requirements.

It was observed that ADP 2010-11 was approved through budget estimates during June 2010. The projects included in the ADP were to be executed during 2010-11 and in case of non-completion, roll over to next year. For the accomplishment of the projects included in the ADP, necessary stores were required to be procured well in time for timely execution and completion so that targets sets in the PC-1’s could be achieved. It was noted that procurements of stores process was initiated in April 2011 and letter of intent issued in August 2011 and stores delivered in November/December 2011 by suppliers (2011-12). This proved the ill planning and non-achievement of targets of ADP 2010-11 as the ADP works could not be accomplished without

cables. Due to poor progress of ADP NTC failed to earn desired revenue. This procurement process was an indicative of poor management controls and lack of coordination.

It was replied that as per procedure in vogue, procurement was initiated after receiving the requisition from Controller (Stores) which was submitted in the month of March. Therefore, procurement process was initiated in April. All PC-Is of ADP were approved in 3rd quarter of a Fiscal Year and afterwards Controller (Stores) plans the procurement as per then SOP

The reply was not accepted being not relevant. The procurement process was an indicative of poor management and ill planning. No response to the query regarding the accomplishment of ADP works without the cables was provided. Responsibility for non-procurement of stores during the financial year for which ADP was approved may be fixed and proof for achievement of targets be provided.

No progress was intimated till the finalization of this report.

5.27 Doubtful tendering process and expenditure - Rs 44.409 million

According to Rule 23 of PPRs 2004, competitive bidding, whether open or limited, the bidding documents shall be unambiguous and procuring agencies shall use standard bidding documents and in case procuring agencies using bidding document they should not be inconsistent with the rules. Further, Rule 30(1) prescribes that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the bidding document.

It was observed that tenders for procurement of different kind of stores were called on 27.09.2010 but rejected due to non-compliant to RFT. Re-tendering was taken place on 09.11.2010 and as per clause

8.2 of tender document; the bidder shall submit samples of store along with bid for technical evaluation/inspection by the NTC Tender Committee at the time of tender opening. Any bid without sample will not be considered for evaluation. The Evaluation Committee opened the financial bids of all the bidders who participated in the bid process without observing the pre-requisite of sample and rates offered by them incorporated in comparative statement on 10.11.2010. However, again financial comparative statements were prepared and signed by the same committee on 14.12.2010 wherein some bidders were declared non-qualifying on the basis that samples were not provided for technical evaluation with the bid. The financial bids could be opened for those bidders whom were technically qualified whereas this was not observed. In some cases only single bidder was shown as the lowest without any competition. The whole process of tendering was not fair as the criteria mentioned in the bid document were not observed which was against rule 36 of PPRs 2004; therefore, procurement came under the miss procurement. Category detail is as under:

S. No	Vr. No. & Date	Description	Name of firm	Amount of Contract	Amount paid
01	021/15.07.11	Primary &	M/s AK Enterprises	17,084,350	8,611,850
	022/15.07.11	Secondary			3,600,000
	136/29.08.11	Cable			4,382,500
02	055/30.09.11	SSA Cables	M/s Flash Comm.	8,141,000	3,149,812
	111/27.10.11				3,156,249
	031/05.01.12				1,765,265
03	091/20.07.11	Jointing Kits	M/s Green International	6,191,805	6,191,805
04	127/27.12.12	Drop Wire	M/s TIP	12,991,888	12,991,888
TOTAL				44,409,043	43,849,369

It was replied that firms lowest in the respective sections were considered for award of work. Process was single stage single envelope; therefore all bids were opened simultaneously

The reply was not acceptable. The bidding was not single stage single envelop as there was categorically advertised that the bids of those vendors will be opened who would submit the samples. Thus the process was single stage two envelopes and the bids of those bidders could be opened who had submitted the samples. The procurement committee had violated the instructions of PPRA-2004 and showed non-transparency in the procurement process as two comparative statements were prepared.

Audit recommended that matter be investigated for fixation of responsibility on those who violated the rules and made the process non-transparent.

No progress was intimated till the finalization of this report.

5.28 Irregular award of contract and payment to M/s ZTE- Rs 2.404 million

According to purchase order No.NTC(Proc-Dte)/ZTE/Exch/spares/10-11/934 dated 21.10.2012, M/s ZTE was required to furnish the irrevocable Bank Guarantee of a scheduled Bank of Pakistan equivalent to 10% of the total purchase order valid for 14 months.

It was observed that M/s ZTE was awarded the work on single quotation basis for supply of ZTE Exchange spares on the plea of propriety item. Despite the fact that the contractor did not furnish the bank guarantee as required vide clause 8 of the purchase order but NTC ordered to supply the material. The firm had to supply 5 ZXUPS to Director NTC Multan with other spares. The 5 ZXUPS were rejected owing to non specification by the region. The same were not replaced till date as evident from the record. NTC had withheld 10% (Rs 240,356) as security from the payment which was demanded by M/s ZTE on 22.05.2012. The award of work against the conditions of

purchase order was a favoritism and violation of rules. Further, as the 5 ZXUPS valuing Rs 419,229 were not supplied till date how the requirement was fulfilled which was the basis for the procurement.

It was replied that 05 x ZXUPS were ordered as per the requirement in R & M plan 2010-11, however it was not clear in the requirement that UPS with what output voltage were required. The supplied UPS were rejected by ultimate consignee being not fulfilling the requirement. Payment against the same was not made and performance security was retained till provision of the same. 05 x ZXUPS were still held with NTC and vendor had already been asked to replace the same for receiving payments against them

The reply was not acceptable being not in line with the Audit observation. Reasons for non-obtaining bank guarantee was not provided. Further, the plea that it was not known to the order placing people what output voltage was required not tenable.

Matter needs an investigation for fixation of responsibility for award of work without the bank guarantee and without knowing the voltage requirements. It may also be ascertained how the region accomplished the tasks without the ZXUPS.

No progress was intimated till the finalization of this report.

5.29 Un-necessary procurement of Drop Wire - Rs 12.992 million

According to Rule 145 of GFR Vol-I, purchases must be made in the most economical manner. Care should be taken not to purchase store much in advance of actual requirements.

In violation of the above, NTC placed an order on TIP for procurement of 546 KM drop wire on 18th January, 2011 @ Rs 9,000/KM which was further extended upto 1500 KM in a meeting

dated 26th April, 2011 on the request of the TIP. TIP delivered 1456 KM drop wire and an amount of Rs 12,991,888 was paid during FY 2011-12. The cost was reduced due to reduction of GST rate from 17% to 16%. The order was enhanced besides the actual requirements and permissible limits of repeat order which was the violation of GFR and PPRs

It was replied that Quantity was increased keeping in view the current market trend of copper along with Poly Ethylene at that time. Moreover, drop wire was also a fast utilized inventory item and would not result blockage of NTC money in dead inventory. It was pertinent to mention here that even after the purchase of this increased quantity of Drop wire, some Maintenance Directorate had exhausted their supplied quantity which also showed that procuring of increased quantity was a right decision by NTC Management.

The reply was not acceptable because no proof of utilization was provided. Further, the procurement process was against the procurement rules.

Matter needs to be investigated for facts finding regarding the enhancement of procurement order nearly 200% over the original contract and non-allocation of budget.

No progress was intimated till the finalization of this report.

5.30 Undue favour in award of contract - Rs 4.940 million

According to Rule 39 of PPRs 2004, when needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidders to furnish a performance guarantee which shall not exceed ten percent of the contract amount.

NTC management had concluded three (3) contracts for provision of PCM & DRS, FE cards and CPE's with M/s Synchom,

ZTE and Real Solutions. One contract for repair of faulty video conferencing system was made with M/s Mansha Brothers. The values of the contract are as under:

S.No.	Name of Contractors	Amount (Rs)
01	M/s Synchom	3,059,044
02	M/s ZTE	1,022,315
03	M/s Real solutions	561,000
04	M/s Mansha Brothers	297,500
TOTAL:-		4,939,859

As per contract clauses 9-1, 7 & 8 the contractors were required to furnish irrevocable bank guarantees equivalent to 10% of the contract value valid for 12 months. In case of M/s ZTE the clause was not included this was against the PPRs

Contrary to the contract clauses, the works were awarded without obtaining bank guarantees. Moreover, the work was delayed by M/S Synchom for which recovery of liquidity damages @ 10 % of the contract value required recovery as per contract. However, undue favour was given to M/s Synchom by charging 2% L.D instead of 10% after the recommendation of a committee.

It was replied that the main purpose of obtaining performance guarantee was to safeguard the interest of buyer either it was obtained initially or during contract execution time. In instant case, required security was retained at the time of final payment & interest of NTC was safe now. As far as PO of ZTE was concerned, purchase was made on proprietary basis therefore requirement of security was not mandatory. In case of Mansha Brothers vendor did not furnish the bond despite repeated requests

The reply was not acceptable being against the rules and contract conditions. Responsibility for non-observance of contract

conditions and PPRA rules may be fixed. LD charges may be recovered as per contract conditions.

No progress was intimated till the finalization of this report.

5.31 Undue favour to M/s Apollo Telecom and procurement on Turnkey basis -Rs 13.200 million (Rs 4.280 million for 2011-12)

According to Para 19(iv) of GFR Vol-I, the terms of a contract once entered into should not be materially varied without previous consent of the authority competent to enter into contract as so varied. Provision must be made in contracts for safeguarding the interest of Government.

It was observed that M/s Apollo was awarded the work for supply, installation, testing and commissioning of Mail Server, Firewall, IPS on turnkey basis at a cost of Rs 14,851,656. M/s Apollo quoted in the bid that the equipment will be of USA made, therefore, clause 6 of the contract inserted as "contractor shall supply the goods under the contract and shall have their country of origin as mentioned in the bid as USA". The value of contract was changed to Rs 13,200,000 as result of discount offered through negotiations (Rs 8,634,537 equipment & Rs 4,565,460 O&M services for 5 years). The contractor supplied the equipment with China origin instead of USA. NTC management instead of rejecting the supply accepted the same by compromising. The management decided to accept the equipment of China made with deduction of 10% of contract value and reduction in cost of O&M services in lieu of supply other than the contract. This was clearly indicative of compromising the quality. M/s Apollo had to complete the task in 12 weeks from 24.01.2011 but the work was still incomplete as evident from 50% payment of equipment which was paid on successful delivery of equipment as per contract clause. The balance 50% was yet to be paid which was a proof that the turnkey project was not completed.

It was replied that the project office pointed out that Country of Origin was not the same as was required in contract clause 6. Case was taken up with NTC Management where it was decided by Management in a meeting with vendor that equipment would be acceptable to NTC only if vendor would be able to provide a certificate from manufacturer i.e. Juniper Networks that equipment supplied was at par with the equipment being manufactured at Juniper USA facility and following penalty would be imposed for deviation from agreed contractual clauses.

1. 10% of the contract value will be deducted from equipment value.
2. Value of 05 years O & M services would be reduced to Rs 2,259,905 by reducing it 49.52% from original value.
3. Rs 1,320,000 would be deducted as LD on original contract value

The reply proved that the supply was accepted other than the contract agreement which was not covered under any rules or custom. The imposition of penalty in lieu of agreed equipment was favouritism to the vendor and fall under the term irregular practices in the terms of PPRs 2004.

Matter needs to be investigated for fixation of responsibility and action on those at fault.

No progress was intimated till the finalization of this report.

5.32 Wasteful expenditure - Rs 8.193 million (Rs 2.868 million for 2011-12)

According to Rule 2 (1) (1) of PPRs 2004, “value for money” means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source and the combination of whole-life cost and quality to meet the procuring agency’s requirements.

It was observed that in the ADP 2007-08 expansion of DSLAM was approved. As a result of tendering M/s Comsys was awarded the work and purchase order was issued on 07.04.2008. The contractor was required to supply, install, test and commission DSLAM equipment alongwith CPE's on 14 locations at a cost of Rs 8,193,467 within 6-8 weeks time on turn key basis. The work was delayed for 3.5 years and PAC issued on 15.03.2012 by the Director (Data Com). Accordingly 30% payment of Rs 2,867,713 on issuance of PAC as per agreement was approved and paid on 11.05.2012. L.D charges @10% of value of contract were imposed as per purchase order. The expenditure was considered wasteful because the same had not been result oriented as forecasted in the PC-I. The delay had defeated the revenues to NTC and put NTC into embarrassing situation as the facility could not be provided to designated customers. The contractor was required to be blacklisted but only penalty for provision of new boxes was imposed in lieu of delay on the recommendation of a committee and compromised on the revenues. This was an indicative of poor management, loose internal controls and bad planning.

It was replied that PAC against the said project was delayed for more than 3.5 years only due to some non service affecting discrepancies which contractor was unable to address, however the equipment was operational and generating revenues by providing services to NTC designated customers since the conduct of PAT.

The reply was not based on facts as PAC was issued after PAT and the PAT was issued after 3.5 years. Thus delay was proved. No proof regarding earning the revenues from this equipment was provided. Responsibility needs to be fixed for delay in completion of work.

No progress was intimated till the finalization of this report.

5.33 Ill planning/wasteful expenditure - Rs 1.560 million (Rs 553,011 for 2011-12)

According to Rule 2 (1) (l) of PPRs 2004, “value for money” means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source and the combination of whole-life cost and quality to meet the procuring agency’s requirements.

It was observed that contract agreement was signed between NTC and M/S Synchom on Turnkey basis regarding provision of 200 channels Optical Multiplexes line between NTC MSU, Garden Town Lahore to M/s PITB Lahore dated 04.05.2009 at a cost of Rs 1,499,980. The work was required to be accomplished in 10 weeks time and as per clause 11, PAC will be issued by Director (Development) Central Lahore on satisfying that the whole work of supply, installation, testing and commissioning was completed. The PAC was issued on 21.03.2012 which proved that there was a delay of 966 days in completion of job. NTC management declared that the delay was mainly due to NTC as site was not made available for installation. Thus a penalty for only 21 days was imposed on the contractor and 945 days delay was considered on NTC part. This showed that NTC management poor planning and lack of interest in the completion of ADP jobs. Due to delayed completion of work i.e. 2.5 years, NTC could not earn any revenue which was forecasted in the PC-I of the project. Further, the contract amount was increased from Rs 1,499,980 to Rs 1,560,480 due to incorporation of rectifier Module in January 2010 which was nearly 6 months after the targeted date for completion of work. This action falls within miss procurement because the change in scope was not advertised. The inclusion of rectifier at a belated stage was an indicative of poor technical foresight.

It was replied that Project was delayed due to un-availability of space by PITB as their building was under construction. The space was

made available on 9th June, 2011 as per letter of Director (Development) Central, Lahore. This was the major reason due to which project was delayed for 2.5 years.

The reply showed that no feasibility study was carried out before the approval of the project and there was poor planning in the execution of the project.

Matter may be investigated for facts finding and fixation of responsibility for poor planning and non achievement of target.

No progress was intimated till the finalization of this report.

5.34 Irregular expenditure without financial sanction of competent authority - Rs 858.412 million

According to Rule 9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by an authority to which power has been duly delegated in this behalf. According to Annex-A (Delegation of Financial Powers) attached with SRO-171 (1)/99 dated 08.02.1999; certain powers have been delegated to Chief Engineers/General Managers and Member Finance.

It was observed that neither concurrence was obtained prior to making payments nor any sanction of the competent authority was issued with regard to payment. A sample of major payments amounting to Rs 858,411,738 was taken from the payments during 2011-12. These payments were considered irregular and unauthorized until and unless concurrence and financial sanction was issued by the competent authority.

It was replied that before entering into any contract all codal formalities as mentioned in SRO-171 (1)/99 dated 08-02-1999 were

strictly observed. Financial concurrence and administrative approval was obtained as per Delegation of Power and payments were made as per accounting procedure serial No.5. Therefore, the payment of Rs 858.412 million may not be treated as irregular expenditure.

The reply was not accepted being not based on facts. No formal sanction for any expenditure was issued as intimated during the discussion in the meeting. Responsibility may be fixed for financial indiscipline and prove the authenticity of expenditure in violation of rules.

No progress was intimated till the finalization of this report.

5.35 Loss of revenue due to non-achievement of targets after incurring expenditure -Rs 37.043 million (Rs 5.053 million for 2011-12)

According to Rule 2(1) (l) of PPRs 2004, "value for money" means best returns for each rupee spent in terms of quality, timeliness, after sales service, up-grade ability, price, sources and the combination of whole-life cost and quality to meet the procuring agency's requirements.

It was observed that NTC placed a purchase order on TIP for supply, installation, testing, commissioning and services for 7322 lines at 24 NTC exchanges on turnkey basis dated 04.10.2005. The work was required to be accomplished from 4-5 months. As per clause 17, PAC will be issued after the completion of task and satisfactory report of committee. The work was delayed upto 2010-11 as evident from record. PAC was issued in most of cases during 2009-10 and 2010-11 as the payment for that portion Rs 5,053,372 was made during 2011-12. Due to delayed completion, LD charges were imposed on TIP but this was not the remedy for the revenue loss which could be earned by NTC if the lines were made functional during 2005-06. Thus NTC was deprived of revenue for 4 years. Responsibility for non-

accomplishment of tasks was required to be fixed but no action on record.

It was replied that equipment was operational since conduct of PAT and started generating revenues however PAC of the equipment was issued when deficiencies were removed by contractor later on.

The reply was not accepted being not based on facts. The PAT was conducted after the completion of jobs and PAC thereafter. The record revealed that the work was not completed as per schedule. No proof regarding earning the revenue from the installed system was provided.

Matters may be investigated for facts finding and fixation of responsibility for loss to NTC in the shape of revenue.

No progress was intimated till the finalization of this report.

5.36 Irregular expenditure over and above the provision in PC-I Rs 8.7 million and other irregularities (Rs 5.248 million for 2011-12)

According to Rule 11 & 12 of GFR Vol-I, each head of department is responsible for enforcing financial order. A controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation.

It was observed that a contract agreement was made between NTC and M/s CNS for supply, installation, testing and commissioning of equipment on Turnkey basis on 18.10.2010. The completion period was 08 weeks i.e. 18.12.2010. The record revealed that the contractor supplied equipment on 10.01.2012 and accomplishment further delayed as PAT was issued / delayed for further 37 weeks. The total budget under the head Telecom Infrastructure was Rs 13 million out of which Rs 10.96 million was expended leaving Rs 2.4 million in

balances. The contract for LAN was made at Rs 8.7 million (Rs 8,747,016) which enhanced the expenditure under this head up to Rs 22.7 million. The approval of Developing Working Party (DWP) and Project Management Board (PMB) was required before entering into liability but no approval was sought.

It was replied that PAT of the subject case was delayed for 37 weeks due to some responsibilities on contractor's part which were not complete; however services were operational on the installed system. For the delay contractor was panelized according to the contract. Second revision of PC-1 was in process which will be presented in next DWP.

The reply was not accepted being against the spirit of rules. Matter may be investigated for facts finding and fixation of responsibility for incurring expenditure over and above the provision in the revised PC-I.

No progress was intimated till the finalization of this report.

5.37 Undue favour to contractor and payment -Rs 75 million

According to Rule 10(i) of GFR Vol-I, every public officer is expected to exercise same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own moneys.

It was observed that contract agreement concluded between NTC and M/s Huawei that Provisional Acceptance Certificate (PAC) will be issued after successful accomplishment of tasks in ring 1, 2 & 3. The concerned department will issue PAC. According to clause 10 of the contract, the Batteries, Emerson Rectifiers, test tool may not be of Chinese origin. Moreover, it must not be manufactured, owned, sponsored or financed by India and Israel. N&SE department of NTC

observed that the batteries supplied by the contractor were of China origin. Certain deficiencies were also pointed out by N&SE. The payment on account of successful PAC i.e. 25% of contract worth Rs 75,000,000 was to be released after the fulfillment of contractual obligations. However, PAC was issued with reservations and payment was released without observing contract conditions. This payment was made against the principles of financial propriety.

It was replied that PAC was issued by N&SE after the resolution of all the major service affecting deficiencies and subsequently successful shifting of traffic by the vendor as per clause 16.1 of the contract. Moreover the shifting of traffic over DWDM network ensures the successful commissioning of DWDM, while the minor discrepancies highlighted were asked by PD (DWDM) to remove before the expiry of stabilization period as those discrepancies did not impact on operation of DWDM network.

The reply was not accepted because the batteries were of not same origin as was approved in the agreement. Furthermore, payment was required to be released after the removal of deficiencies and fulfillment of contract conditions.

Matter may be investigated for fixation of responsibility for release of payment without removing deficiencies and accepting batteries other than the agreed in the contract.

No progress was intimated till the finalization of this report.

5.38 Loss to NTC due to ill planning - Rs 16.698 million

According to Planning Division's instructions, feasibility study, cost benefit analysis and project appraisal shall be made before the approval and inclusion of a project in the ADP. The purpose is to see that if it is feasible, profitable and meets its objectives.

It was observed that a project titled “Call Booking System” was launched during 2005-06 without feasibility study, cost benefit analysis and project appraisal. A contract agreement was made with M/s Teralight on 17.10.2005 for the system with a cost of Rs 30,557,190 with completion period of 90 days. The system became operational in March 2006 with a lot of deficiencies and complaints on its working. This system was handicapped as the same could not work without PTCL system. PTCL ultimately closed the call booking system of its own in July 2007 because the Company had provided NWD/ISD facility to its all subscribers and booking through operator discontinued. As the NTC system was dependent upon PTCL, therefore, it also became non-functional in August 2007 only after a period of nearly a year of its functioning. NTC had made payment of Rs 16,697,625 to M/s Teralight despite the fact that there were a lot of deficiencies and NTC was unable to earn from this system.

NTC management constituted a Committee for inquiry/facts finding and fixation of responsibility for loss. The committee findings were as “loss was caused because NTC had not made any feasibility study, no project appraisal made and no coordination with PTCL was made before the start of project. Due to poor insight and vision, NTC had to bear the loss of Rs 16,797,625 which was paid to M/s Teralight. Further, this project was not got approved from Management Board and ex-post facto was demanded in 2007 after the close of system”. No action was taken as per facts finding of the committee.

It was replied that the functionality of NTC call booking system was never dependant on PTCL and closure of PTCL call booking system in July 2007 had no relevance to closure of NTC call booking system in August 2007.

The reply was not accepted because the action as proposed in the facts finding inquiry was not taken as the project was started without the feasibility study.

Matter needs an investigation for fixation of responsibility on those who put NTC into a loss. Responsibility for non-approving the project from the competent forum may also be fixed.

No progress was intimated till the finalization of this report.

5.39 Non achievement of goals of ERP after incurring expenditure - Rs 15.379 million (Rs 8.458 million for 2011-12)

According to Rule 10(i) of GFR Vol-I, every public officer is expected to exercise same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own moneys.

It was observed that a contract agreement was made between M/s TECHACCESS and NTC regarding provision of hardware, software and associated services for ERP project on Turnkey basis at a cost of Rs 15,379,004 on 21.12.2011. The completion period was fixed 12 weeks. The work was not yet completed even after the extension given upto May 14, 2012. Chairman NTC shown his grave concerns on the non-completion of project and ordered to charge sheet those who were responsible for delay but no charge sheet were issued. Further, the project had two parts out of which contract on Turnkey basis was awarded to M/s TECHACCESS but the lot II was not awarded in time which was an essential part to run the project. The same was up-gradation of existence storage and F.C switches. However, NTC decided to procure hard drive for IBM DS-4800 SAN in June 2012 instead of up-gradation. The same were yet to be procured; therefore, the system could not be made functional.

It was replied that project was operational since then as services were migrated from old infrastructure to the new infrastructure without any disruption. Chairman NTC's concern was not about the delay in project but about the assessment of storage space

for said project for which requirement analysis were addressed seamlessly back in April 2010 and were presented in Central Procurement Committee meeting therefore matter of charge sheet needs to be taken in CPC meeting. None of the directives of Chairman NTC were strayed as file was sent to Procurement Directorate on June 06, 2012 for necessary action and return the same to IT department but still awaited.

The reply was not accepted being not based on facts. Nothing was responded about the second part of the project that was procurement of hard drive instead of up gradation of existence storage capacity.

Matter needs investigation for facts finding and fixation of responsibility for non-accomplishment of tasks intimaee.

No progress was intimated till the finalization of this report.

5.40 Unjustified expenditure on Turnkey basis work - Rs 2,225 million

According to Rule 10(iv) of GFR Vol-I, public money should not be utilized for the benefit of a particular person or section of community.

It was observed that a contract agreement was made with M/s Huawei vide No. NTC/(Proc-Dte)/2010-11/NGN/Huawei dated 15.03.2011 regarding deployment of 2 Class V Switches on Turnkey basis at Islamabad and Karachi free of cost as agreed in the main agreement of DWDM. However, it was disclosed that the Class V Switches could not perform until and unless the Sun Machine was not available. M/s Huawei while concluding agreement for Class V Switches viewed that NTC existing Network Management System (NMS) had sufficient resources and same could be utilized by installing/ upgrading by Huawei. Later on M/S Huawei declared that

Sun machine was necessary instead of up gradation of existing system. Therefore, NTC entered into contract agreement with M/s Huawei on repeat order basis on 08.08.2011 for supply, installation of hardware and software for NMS on Turnkey basis at a cost of Rs 2,225,116. The expenditure was considered unjustified and leads to favoritism to M/s Huawei because the contractor had deceived NTC at the time of installation of Class V Switches. Further, as the Sun Machine was not a propriety item of Huawei, therefore repeat order was not in order in the light of Rule 42 of PPRs 2004.

It was replied that initially, during network design, it was assumed that the available resources at Data center NTC, would be examined and Sun Machine be spared for the purpose. Accordingly clause 4.3 was provided in the contract. Later, after signing the contract, the machine could not be arranged owing to Data Dte operational expansion. As per procedure then, a committee was formulated to look into possibilities for sparing server machine from NTC's own resources. According to the committee report, existing resources couldn't be utilized for the NMS of Class-5 Soft Switches. It was important to mention here that Class-5 Soft Switch project was part and parcel of the DWDM contract.

The reply was not accepted as NTC failed to visualize the requirements in the beginning of the project about the requirements of Sun machine. Further, M/s Huewie should upgrade the system as agreed instead of putting NTC into procurement of the equipment. The procurement on repeat order basis was not justified because the procurement was not the propriety item which may be justified in the light of rules.

No progress was intimated till the finalization of this report.

5.41 Loss of revenue to NTC due to hosting of websites by others - Rs 6.168 million

According to license issued to NTC by PTA, and section 41 of the Telecom Re-organization Act 1996, NTC has been authorized to provide telecom services to designated customers.

It was observed that NTC was authorized for web hosting of Government web portal and provides hosting services to all the Government departments. NTC had hired the I.P Bandwidth from M/s Transworld and making payment of Rs 2.5 million monthly with Rs 0.5 million per month to server 4 sale web hosting GoP portal abroad. NTC had been providing services to 107 Government websites and earning revenue of Rs 3 million per annum approximately. There were nearly 220 websites which were being hosted by other service providers like Comsat and Nayatel. Due to this NTC was being deprived from the revenue of Rs 6.168 million per annum. Further, the provision of services by Comsat was totally not covered under the provisions of Act because CIS was not a licensee of PTA and not authorized to provide telecom services. Moreover, the provision of services by CIS and other operators like Nayatel were unsecured from Denial of Service (DOS) and Distributed Denial of Service (DDOS) attacks. NTC should have taken up the matter with PTA and other Government agencies for resolving the issue and transfer of clients to NTC.

It was replied that on directions given by NTISB, an analysis was carried out about govt. websites hosted on private ISP platform, and 72 govt. departments were identified as hosted on other service providers, the same were contacted for shifting of their websites on NTC platform, as a result 7 websites were shifted on NTC network that resulted a revenue increase of Rs 0.295 (Million/Anum). Reminders to remaining customers were issued and were also forwarded to NTISB & MoIT.

The matter may be taken up at appropriate level for shifting the customers from others to NTC so that the revenue loss may be avoided. Efforts made in this regard may be provided to audit.

No progress was intimated till the finalization of this report.

5.42 **Improper planning resulting into wastage of capital expenditure**

According to Rule 154 of GFR Vol-I, an inventory of the dead stock should be maintained showing the number received, the number disposed off and the balance in hand. The inventory should be maintained at the site of the dead stock. Further, Rule 13 ibid provides that every controlling officer should see that effective system of internal check exists for securing regularity and propriety in the various transactions and issue of stores etc.

It was observed that NTC deployed DWDM/SDH (STM64) through M/s Huawei on Turnkey basis at a cost of Rs 300 million. This project became operative from June 2011. Before this system NTC had deployed STM 1 & 4 which was not to be remaining in utilization after DWDM. This spare system was required to be planned for reutilization in STM-1 nodes which would be spared from junction networks. But NTC did not anticipate this aspect and no plans were chalked out before the implementation of DWDM project. It was directed sometime in January 2011 that each Region should plan for reutilization of old system. If the planning for utilization was made well before the start of DWDM project, NTC could save million of rupees.

It was replied that one of the major utilization of the Siemens SDH equipment was to deploy it in local junction networks to upgrade the existing SDH from STM-1 to STM-4. It was worth mentioning that the frequency of failure of line optical cards of Siemens SDH STM-1 was very high and the same were irreparable as Siemens do not

support the repair of such old cards. It was perceived that after the up-gradation from STM-1 to STM-4; such issue will also be resolved. Accordingly, a plan for optimization of OFS junction network was prepared and issued for implementation using own arrangements. Out of the pool of spared Siemens SDH equipment, deployment of nodes other than junction networks was also being done by maintenance regions e.g. Spare SDH equipment had been deployed at PMO Taxila, Rangers HQs Lahore etc to effectively use the spared equipment.

Details of the total systems installed, spared and cost may be provided with the utilization plan. Further, detail of nodes deployed till date may also be provided.

No progress was intimated till the finalization of this report.

5.43 Excess payment of Design and Supervision Fee Rs 1.186 million

According to contract agreement clause 8.2 and 8.3, M/s Nasir Saeed Associates will be paid Design and Supervision Fee for NTC Headquarter building as “Design Fee @ 1.5% and Supervision Fee @1.25% of total estimated cost of construction including all Civil, Electrical, Public health, HAVAC, External Development, and Allied Civil Works etc.”

It was observed that an amount of Rs 11,063,127 was paid to M/s Nasir Saeed on account of consultancy charges for Design and Supervision on the total work done. This total work for which fee was paid includes supply of furniture, installation of lifts, kitchen equipment and D.G sets with all the works mentioned in the contract. The works like supply of furniture, kitchen equipments installation of lifts and generator sets did not require any consultancy. Hence, the payment of Rs 1,186,476 made for these works was considered extravagant.

It was replied that the payment to the consultant was made as per clause 8.2 and 8.3 and 3.3.2 against the project scope provided in the approved PC-1. No excess payment was made.

The reply was not accepted because there was no justification for payment of designing and supervision fee for the jobs mentioned in the observation. The reply may be supported with the PEC document or any other relevant agency document which should prove the instance or recovery be made from the consultant.

No progress was intimated till the finalization of this report.

5.44 Malpractices in award of contract to M/s Huawei - Rs 5.931 million (Rs 5.002 million for 2011-12)

According to Rule 29 of PPRs 2004, procuring agencies shall formulate appropriate evaluation criteria, listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for unambiguous criteria in the bidding documents shall amount to mis-procurement.

It was observed that M/s Huawei was declared technically qualified for the provision, installation, testing, commissioning of BRAS at NTC Peshawar on Turnkey basis by the Evaluation Committee on 16.07.2010. Financial Bid Evaluation Committee recommended M/s Huawei at a cost of Rs 4,000,662 being lowest. Contract agreement was signed on 20.10.2010 with cost of Rs 4,000,662 but a corrigendum on 13.12.2010 was issued in which BOQ was changed with price enhancement to Rs 5,930,660. DE (Proc) observed and made a noting at Para 29 that M1-60x3 did not comply with NTC approved specifications (Sl.No.1.2 redundancy & Sl.No.1.8 spare service slots). Therefore, M/s Huawei should submit proposal for

new model as the model being provided was not as per requirements of NTC and had interfaces problems. However, NTC management did not pay any attention to the observations and work of BRAS continued. The change in BOQ as per Huawei requirements fall under mis-procurement. The work was required to be completed in 10-12 works i.e. upto 19.01.2011 whereas equipment was delivered on 30.10.2011 and PAT (Provisional) on 31.10.2011 and PAC on 03.11.2011. Thus the work was yet to be accomplished in terms of turnkey.

It was replied that this observation relates to letter from M/s Huawei in which vendor had asked NTC to change the model quoted in their bid earlier and further included in contract after evaluation on the plea that quoted model was becoming end of sale and offered a new model ME-60. As the offered model did not meet NTC mandatory requirements of tender, therefore same was not accepted and M/s Huawei was asked to deliver the same as originally quoted and included in contract.

The reply was not accepted being not based on facts. Matter needs an investigation for fixation of responsibility for wrong doings and late completion of work. Responsibility for loss due to delayed completion may also be fixed.

No progress was intimated till the finalization of this report.

5.45 Wasteful expenditure on Security System - Rs 11.676 million

According to Rule 19(i) of GFR Vol-I, the terms of a contract must be precise and definite and there must be no room or ambiguity or misconstruction therein. Further, Rule 10(i) ibid categorically describes that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a

person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that a contract agreement was signed between NTC and LMKR for supply, installation, testing and commissioning of security equipment for NTC H/Q old and new building on Turnkey basis at a cost of Rs 11,676,427. The technical specifications and country of origin of equipment were given in annexure B & C of contract and cost at annex-A. The record showed that the equipments installed were not as agreed in the contract and not functioning. Due to non- functioning of automatic RFID and others, the CTO and other officers showed a great concern over the work. Ultimately it was proposed that some equipments valuing Rs 2,146,034 (Walkthrough Metal Detector, Man height turnstile, Blocker and Barrier) may be changed as agreed in the contract. Manual handling instead of automatic operations were agreed. M/s LMKR offered that the Walkthrough Metal Detector and man height turnstile would be provided free of cost valuing Rs 1,074,666 and NTC would consider it a discount. Lately LMKR claimed that the equipments supplied free of cost would be its property and remove when LMKR vacate the H/Q building space hired on rent. Due to poor management vision and loose internal controls, NTC could not obtain the systems as agreed in the contract and manual handling of security system instead of its operations automatically. Furthermore LMKR had withheld millions of rupees on account of rent of space because the issue of project was not resolved.

It was replied that the hardware provided by M/s LMKR was as per contract agreement. During inspection, some equipment behavior was abnormal, which was working fine after fixing the problem. As far as M/s LMKR discount offer was concerned, that offer was valid for the tender which was canceled. After Re-tendering the same project, same discount was not offered by M/s LMKR.

The reply was not accepted because not based on facts. Matter may be investigated for fixation of responsibility for the wrong doings and non-recovery of rent of space under the use of LMKR.

No progress was intimated till the finalization of this report.

5.46 Excess payment on account of escalation of labour - Rs 28.832 million

According to Rule 19(i) & (v) of GFR Vol-I. the terms of a contract must be precise and definite and there must be no room or ambiguity or misconstruction therein. No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance. Further, Rule 10(i) *ibid* categorically describes that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that work for construction of new NTC H/Q building was awarded on 10.08.2004. The work was commenced from 24-01-2005 on the issuance of engineer certificate and completion period was fixed 730 days (2 years). The work was required to be completed upto 23.01.2007 whereas the actual completion was on 31-03-2010. As per GoP notifications issued through Finance Bill under the WP Ordinance xx 1969 the escalation for unskilled labour was admissible only. However, NTC paid labour escalation to the skilled and unskilled labour at 60:40 against the notification of GoP. Payment of escalation Rs 28,832,425 to the skilled labour was not covered under the rules. This payment was irregular and a burden on NTC.

It was replied that Government of Pakistan notifies Schedule of basic wages for unskilled labour which was on yearly basis. The Wages of skilled labour was not announced/declared by Government separately in its ordinance so price adjustment/ escalation of semi skilled/skilled labour was always calculated as per agreement concluded between both parties. Thus Labour escalation/ de-escalation was calculated as per contract clauses.

The reply was not accepted because not supported with any concrete evidence. Proper evidence may be provided in support of reply.

No progress was intimated till the finalization of this report.

5.47 Excess expenditure over the provision in revised PC-1 -Rs 11.916 million

According to Rule 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending are expended in the public interest and upon objects for which money is provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it.

It was observed that PC-1 of the new NTC H/Q building was approved in 2004 with a cost of Rs 303.433 million. PC-1 was revised in the year 2009 at a cost of Rs 482.737 million and approved by DWP and Management Board. Certain provisions of items were revised and limits enhanced with addition of some new items. But it was noted that the expenditure was incurred over and above the revised approved provisions without the approval of the competent authority. The revised provision made under the caption "building civil, electrical,

plumbing. External development including escalations and additional items” was Rs 262.842 million whereas the expenditure of Rs 274.758 million was incurred. Thus Rs 11.916 million was incurred over the approved one.

It was replied that Revised PC-1 for construction of NTC HQs Building G-5/2 Islamabad was approved by DWP and endorsed by NTC Management Board against an amount of Rs 482.737 million. This approved PC-1 cost was included the line item at serial No.2 of “Annex B” with a cost of Rs 430.704 million and there was no variation in this approved line item has been occurred. The component wise variation cannot be considered and attributed as change in scope of work.

The reply was not accepted because the expenditure was over and above that was approved in the revised PC-I. Matter may be investigated for facts finding and fixation of responsibility for excess over the approved one. The excess may be got regularized from the competent authority.

No progress was intimated till the finalization of this report.

5.48 Irregular expenditure on building work - Rs 100.077 million

According to Rule 11 of GFR Vol-I, each head of department is responsible for enforcing financial order. He is responsible for observance of all relevant financial rules and regulations.

It was observed that a contract agreement was signed with M/s SAMRA enterprises for construction of NTC H/Q building at a cost of Rs 174.681 million on 10.08.2004. The building works were completed by the contractor at a cost of Rs 274.758 million on 31.03.2010. Thus an amount of Rs 100.077 million was paid in excess of the contract amount. Neither the contract was revised and signed by

both the parties nor was the guarantee of enhanced amount obtained. In the absence of any legal authority, the payment of Rs 100.077 million over the contract amount was not in order and not covered under the rules.

It was replied that revised PC-I for construction of NTC HQs Building G-5/2 was approved by DWP and NTC Management Board for an amount of Rs 482.737 million. Out of total capital cost, the building works were completed by the contractor M/s SAMRA Enterprises for an amount of Rs 274.758 million which was finalized on the basis of actual work done measured at site including additional/ external items and price adjustment / escalation calculated as per contract.

The reply was not accepted being not relevant to audit observation. Responsibility for payment without revising the contract price may be fixed and regularized the expenditure.

No progress was intimated till the finalization of this report.

5.49 Undue favour to contractor by accepting insurance guarantee instead of bank guarantee

According to Rule 39 of PPRs 2004, where needed and clearly expressed in the bidding document, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed 10 % of the contract amount.

It was observed that a contract with M/S SAMRA was concluded for construction of building at a cost of Rs 174.681 million. Bank guarantee/Insurance guarantee from a AAA rated company was required whereas NTC accepted insurance guarantee from Askari insurance (A rating company) for Rs 18.027 million valid for 10.11.2004 to 09.11.2005. The same was expired and revalidated and

NTC did not bother for its revalidation. The contractor furnished another insurance guarantee from Alpha Insurance for the period 10.11.2008 to 09.01.2009 for the same value that of Askari. The work was accomplished on 31.03.2010 at a cost of Rs 274 million. Bank guarantee of 10 % of the value i.e. Rs 27.4 million was required to be obtained valid till the issuance of PAC/FAC but NTC did not obtain the guarantee to safeguard the interests of NTC. This was an indicative of loose internal controls leading to violation of rules.

It was replied that the insurance guarantee was covered under the agreement.

The reply was not accepted because the insurance guarantee must be from the "AAA" rating insurance company whereas both the companies were "A" rating. Thus the interest of NTC was not safeguarded by obtaining the guarantee from the companies which were not covered under the PEC policy. Responsibility may be fixed for violation of rules.

No progress was intimated till the finalization of this report.

5.50 Un-authorized expenditure without valid sanction – Rs 9.583 million (Rs 6.603 million for 2011-12)

According to Sl.24 of Delegation of Powers of NTC officers notified vide SRO No. 171(1)/99 dated 08.02.1999, Chairman NTC may approve expenditure on building works with the financial concurrence of Member (Finance). Member (Finance) may concur expenditure upto Rs 10 million

It was observed that an expenditure of Rs 9,582,634 was concurred by the DG (Finance) instead of Member (Finance) as required under the delegation of powers. There was neither sanctioned

post of DG (F) nor any financial powers delegated in the DOP of NTC. Furthermore, the incumbent of the post of DG (F) was not a regular incumbent of the post and appointed by the Chairman who was also not a regular chairman but looking after the work of chairman. There was an acting charge holder of the post of Member (F) who was removed from the post without any reason. Financial concurrence accorded by the DG (F) was irregular and invalid; therefore, the expenditure was unauthorized.

No reply was given by the management.

Matter may be investigated for fixation of responsibility regarding financial indiscipline.

No progress was intimated till the finalization of this report.

5.51 Irregular sanction of additional works over and above revised PC-I amounting to Rs 9.583 million

According to annexure B-iv of revised PC-1 regarding construction of NTC H/Q building additional works (specified in 10 numbers) were provided for Rs 15.697 million.

It was observed that 26 No's additional works valuing Rs 9,582,634 were carried out. The details of works revealed that most of the works were not the part and parcel of the approved additional works in the revised PC-1. Thus the same were not covered under the rules and considered unauthorized. Out of these 26 works 17 No works were approved by the Chairman in August 2009 and the remaining works 18 to 26 were approved by the Chairman in June 2012 with the concurrence of DG (F) who was not competent to concur the same. Sanction of the competent forum was required for any change in the approved works.

It was replied that the works were approved in the revised PC-1.

The reply was not accepted because the sanction was given by the DG (F) who was not competent to do so. Member (F) was the competent authority. Responsibility may be fixed for financial indiscipline.

No progress was intimated till the finalization of this report.

5.52 Extra burden on NTC due to delayed completion of work - Rs 44.603 million

According to Rule 19(iv) of GFR Vol-I, the terms of a contract once entered into should not be materially varied. No payment to contractors by way of compensation, or otherwise, outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.

It was observed that as per contract agreement made with M/s SAMRA, the construction of building was to be completed in 730 days (2 years) i.e. 24.01.2005 to 23.01.2007. As per Annexure-C of the contract agreement; contractor was eligible to claim & receive escalation on account of cement, steel and labour. The work was delayed upto 31.03.2010 and NTC had to pay escalation amounts as under:

S. No	Description	Amount in case of completion in time	Amount paid due to delay	Excess amount paid
A	Cement escalation	859,479	1,859,479	1,000,000
B	Steel escalation	134,898	995,887	860,989
C	Labour escalation	5,311,861	48,054,041	42,742,180
Total Excess payment				44,603,169

In case the work was completed in the agreed time frame than NTC could have saved an amount of Rs 44,603,169 on account of escalations. This would have resulted into curtailment of expenditure to that extent which added into the overall excess of Rs 100 million in the cost of agreed building works contract.

It was replied that since the beginning of the construction work, it faced certain un-avoidable circumstances which delayed the project and it entailed extra time. The progress of project and reasons of delay were apprised to NTC Management Board time to time and attributed delay was regularized by granting extension in completion period accordingly upto 31-03-2010.

The reply was not accepted being against the principle of financial propriety. The labour escalation was required to be paid upto the contract period and not for the extended period. Responsibility needs to be fixed for putting NTC into loss.

No progress was intimated till the finalization of this report.

5.53 Invalid financial concurrence - Rs 194.770 million

According to serial No. 24-27 of Delegation of Powers of NTC officers notified vide SRO No. 171(1)/99 dated 08.02.1999, the financial concurrence from Rs 2 million to Rs 10 million is the competency of the Member (Finance) NTC.

It was observed that an expenditure of Rs 194,770,056 was concurred by the DG (Finance) NTC from April to June 2012. There was no sanctioned post of DG (Finance) in the finance cadre as per employees service regulations notified vide SRO 60(KE)/2008 dated 05.07.2008. Furthermore, there was no power given to this nomenclature post because no such post existed in NTC. Thus the

concurrence given to the expenditure by the DG (Finance) instead of Member (Finance) was irregular and invalid.

No reply was given by the management.

Matter may be investigated for fixation of responsibility for sanction by DG (Finance) instead of Member (Finance).

No progress was intimated till the finalization of this report.

5.54 **Irregular opening and operating of bank accounts**

According to Sl. No. 21&22 of annexure-A attached with NTC Accounting procedure notified vide SRO 171(1)/99 dated 8-2-1999, Member (F) is fully empowered for opening & operation of bank accounts.

It was observed that NTC opened the bank accounts from 2008-09 onward till March 2012 with the concurrence of Chief Financial Officer and from April 2012 with the concurrence of DG(F) who were not authorized authorities for the job. Thus all the opening of bank accounts and operation with the approval other than Member (F) were invalid and the transactions made on account of expenditure, transfer of funds to regions and investments made were invalid.

It was replied that the powers were delegated to Member (Finance). Subsequently on change of nomenclature of the post of head of finance from Member (Finance) to CFO on the instructions of MoIT, the same DOP as that of Member (Finance) remained applicable for CFO. NTC Management Board has changed the nomenclature of the head of Finance Department from CFO to D.G (Finance) but again the DOP remained unchanged.

Reply was not accepted being against the rules. Responsibility needs to be fixed for change of nomenclature and creating an

ambiguity. All financial transactions from 2008-09 may be got approved from the competent authority.

No progress was intimated till the finalization of this report.

5.55 Irregular procurement of Atomic clock Rs 19.275 million and issuance of FAC without removing discrepancies

According to Rule 9 of GFR Vol-I, no authority may incur any expenditure until the expenditure has been sanctioned by the authority to competent to do so. Further, Rule 10(i) *ibid* clarifies that every public officer should exercise same vigilance in respect of expenditure from the public funds as a person of ordinary prudence in respect of expenditure of his own money. Moreover, according to Sl 24 of delegation of powers of NTC, Management Board is competent to accord approval for the projects.

It was observed the work of cesium (Atomic) clock for the NTC–SDH network was awarded to M/S Premier Karachi at a cost of Rs 19.275 million. The Project Director issued PAC/FAC for the job without the clearance of discrepancies by the contractor. Due to lot of irregularities in the implementation of the project, the management conducted inquiries thrice in the years 2007, 2008 and 2012. The main findings of inquires were as under:

“The idea of Atomic Clock for NTC network was an over kill because NTC network was not so big that required an Atomic Clock. GPS could had served the purpose which was a cheaper option than the Atomic Clock. To buy Atomic Clock was not an economical decision. The clock purchased was not serving the purpose of synchronization of EWSD/SDH and Data Network as required in the contract agreement. The present clock was using GPS for synchronization and not cesium. PAC was issued on 14-10-2004 despite the fact that there were major discrepancies in the offered system. The system was not as per ITU specifications. No testing was

done by the committees formed at each station. All payments were made by finance wing despite the fact that pre-audit had required the approval of Board.”

All the three inquire committees’ recommended strict action against those who put NTC into loss on the procurement of a clock which was not the requirement of NTC networks. But NTC management had not taken any action for all wrong doings and putting NTC into a loss in the shape of excessive expenditure.

It was replied that the equipment was required for smooth functioning, quality of service and reduction in the maintenance of the NTC Telecom and Data Networks. The issue raised relates to Technical Standards and its importance can be assessed in the Technical Audit of a Network only. The project In-charge was not responsible for the payment to the Contractor. The findings quoted by Audit of the technically lower caliber team have no importance and so were ignored by the then Chairman//Management in the inquiry report.

The reply was not accepted because all the three inquiries findings stressed action against the responsible officer.

Action may be taken in the light of findings of the inquiries

No progress was intimated till the finalization of this report.

5.56 Malpractices in office automation project - Rs 3.194 million

According to Rule 19(i) of GFR Vol-I, the terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein. Further Rule 12 ibid clarifies that every controlling officer must see that the total expenditure is kept within the limits of the authorized appropriation.

It was observed that the PC-1 of office automation project was approved in March 2008 at a cost of Rs 6.98 million. The contract was awarded to M/S LMKR on turnkey basis with the completion period of 6 months. Procurement Directorate & IT department did not comply with the instructions of the Chairman NTC regarding Intellectual Property Rights and the inclusion of ownership of source code. Director IT allowed the limitation of user upto 250 which was a clear violation of Chairman NTC remarks regarding replication, expansion anywhere anytime in NTC. It was further observed that contract clauses related to acceptance, PAC, FAC and warrantee were ambiguous. The project was completed in 44 months instead of 6 months which resulted into employment of staff for a period over and above the approved in PC-1 and lead to payment of salaries upto 300% more than the approved one.

NTC management also conducted an inquiry due to major malpractices and non-compliance of the instructions of the Chairman but no action was taken against the persons who were at faults.

It was replied that show-cause notices were served to the involved officers by the competent authority. The authority considering reply of some officers have withdrawn show-cause notices issued to them. However, minor penalty of Censure has been imposed on the then Director (IT).

The reply was not acceptable because the findings of the inquiry committee were not implemented. No justification for delay in completion, extra hiring of employees over & above the PC-1 was provided.

Audit recommended that matter be investigated at appropriate level for detailed facts finding and fixation of responsibility.

No progress was intimated till the finalization of this report.

5.57 Irregular award of contract for supply and installation of 05 x 4 tons floor mounted AC's - Rs 1.030 million

According to Rule-4 of PPRs, "Procuring agencies, while engaging procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Contrary to the above, Director NTC, Karachi awarded a contract for supply and installation of 05 x 4 tons Floor Mounted AC's at MSU Cantt: and Pak capital exchanges Karachi at a cost of Rs 10,30,000 to M/s Muhammad Hanif, the 2nd lowest bidder on 26-01-2012 by ignoring the lowest bid of M/S Rafiq Hanif for Rs 880,000. The work was awarded to the bidder who did not fulfill the TOR clause 8(a) which describes that the vendor should possess the Authorized Distributor Certificate.

It was replied that the work was re-tendered prior to approval keeping in view deteriorated condition of existing AC unit and insufficient cooling arrangement. Moreover, the case was approved by the competent authority being critical sites of NTC Karachi and to avoid any unforeseen mishap or breakdown. Thus, payments made are regular.

The reply was not acceptable being contrary to rules. The expenditure be got regularized from competent forum.

No progress was intimated till the finalization of this report.

5.58 Irregular expenditure and non-recovery - Rs 1.323 million

According to Rule 12(i) of PPRs 2004, open tenders should called for if the cost exceeds Rs 100,000. The tender may be published

on authority's website and on the organization website also. According to Rule 143 of P&T Manual Vol-X, no work shall be executed until and unless a detailed estimate is drawn and sanctioned by the competent authority. This has been adopted by NTC and detailed instructions in this regard were issued in February 2007. As per NTC P-Deposit policy of April 2011, all types of works executed upon request of Government Organizations/Departments are termed as deposit works and Capital Cost bills are recovered by NTC.

It was observed that PS to Minister IT and PA to Secretary (IT) requested for installation of telephone exchanges at camp office of Minister at Gujjar Khan & residence at Islamabad and office of Secretary (IT). NTC, instead of preparation of capital bills and receiving 100% advance payment, prepared estimates under the head Minor works and obtained a quotation from M/s Mansha Brothers for Panasonic Exchange and Block Wiring for each work separately. The estimates were required to be sanctioned by the Chairman as per Delegation of Powers of NTC whereas those were sanctioned by other officers. An expenditure of Rs 1,323,206 was incurred. The incurrence of expenditure without tenders and charging the cost to NTC instead of recovering the costs from the concerned was against the spirit of PPR's 2004 and loss to NTC. The details were as under:

S.No	Item No	Estimate No	Location of Exchange	Amount (Rs)
1.	10	SW-116 -D(b)/11-12	P.M residence at Gujjar Khan	462,447
2.	11	SW-114 D(b)/11-12	P.M residence at Islamabad	220,233
3.	12	SW-113 D(b)/11-12	Ministe IT office	119,008
4.	13	SW-110 D(b)/11-12	Sec.IT office	111,207
5.	15	SW-510 D(b)/11-12	PAF	410,311
TOTAL				1,323,206

It was replied that Administrative approval for Supply and Installation of 6+16 lines EPABX with relevant accessories & Internal Block Wiring were obtained under the head of account "Exchanges & OSP". The said works were executed through purchase committee in the light of SRO No. 171 (I)/99 dated: February 8, 1999, due to urgent / emergent operational nature of works. However, Capital cost bills had been forwarded to concerned offices for recovery of incurred cost.

The reply was not accepted because the works were required to be carried out after calling bids through open tendering but it was carried out on quotation basis.

The expenditure be debited to the P-Deposit works and Capital Cost bills be recovered from the concerned agencies.

No progress was intimated till the finalization of this report.

5.59 Variation in amounts received and expended – Rs 47.890 million

According to Rule 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending are expended in the public interest and upon objects for which money is provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it.

It was observed that funds of Rs 401 million were received by Director NTC Islamabad during 2011-12. The Directorate transferred an amount of Rs 204 million to DEP (Defence) Rawalpindi and Rs 2.424 million was surrendered after incurring an expenditure of Rs 146.686 million. This resulted into a variation of Rs 47.890 million.

Detail is as under:

Funds received	Transferred to Division	Expenditure of Dir. NTC lbd.	Surrender	Variation
401.000	204.000	146.686	2.424	47.890

It was replied that the funds received from NTC HQs were Rs 401 million whereas the actual funds received as per Cash Book were Rs 435.353 million. The differential amounts pertain to the miscellaneous receipts like GPF Advances, Commutations payments, Monthly pension payments etc. Closing balance as per cash book as on 30-06-2012 was Rs 56,367 duly reconciled with the Bank Book/ Bank Statement.

The reply was not acceptable because neither response to the query regarding variation nor any proof in support of reply was provided.

Matter may be probed for facts finding and the evidences may be provided.

No progress was intimated till the finalization of this report.

5.60 Theft of NTC store at microwave station Sheikhpura - Rs 4.452 million

According to the Serial # 07 of Appendix-2 to GFR Vol-I, "in all such cases departmental proceedings should be instituted at the earliest against all the delinquents even against a Government servant prosecuted in a criminal court". Similarly Rule 20 of GFR Vol-I stipulates that the loss be reported to audit but this action was not taken by NTC.

Contrarily, it was observed that various types of cables were

cut, burnt & sold in the market on 23.03.2012 by the two security guards, one from Askari Guards & other from NTC. This theft had caused a loss of Rs 4,451,876 to NTC. Neither the official of NTC was suspended nor loss of NTC store recovered.

It was replied that the said matter was under investigation and progress in this regard will be intimated to audit accordingly.

Audit recommended that case be pursued vigorously and loss make good.

No progress was intimated till the finalization of this report.

5.61 Unauthorized approval of revised PC-I amounting to Rs 3.67 million

According to para 14(4) (II) of system of Financial Control & Budgeting 2006 issued by the Finance Division vide No F-3(2) Exp-III/2006 dated 13.09.2006, the development working party should be headed by the chairman/head of the organization and, among others, should include representatives of the Planning and Development Divisions, the Finance Division and the Ministry/Divisions, each not below the rank of Joint Secretary.

In violation of the above, it was observed that PC-I of project regarding laying of OSP Network for the replacement of Arial Cable at MSU Race Course Road, Lahore amounting to Rs 3.67 million was not approved by the competent forum.

It was replied that the PC-I of said project was got approved from appropriate forum.

The reply was not acceptable as the PC-I was got approved from the appropriate forum as required in the para 14(4) (II) of revised

system of financial control & budgeting 2006. The PC-I may be got approved from the appropriate form under report to audit.

No progress was intimated till the finalization of this report.

5.62 Minus balances against closed/working connections - Rs 1.554 million

According to the prevailing practice in vogue and NTC Recovery, dispute resolution and doubtful/bad debt policy, the reconciliation with concerned departments will be made.

Test check of arrears' profile of closed/working connections revealed that the end balances of telephones showed negative balances against both categories. It was further observed that the telephones of various subscribers were closed but the reasons for closure of these connections were not on record. An amount of Rs 1,553,672 was pointed out against a sample of one hundred (100) of closed and sixty (60) working numbers. Detail is as under:

S.No.	Description	Amount (Rs)
01	Minus balances against closed connections	694,350
02	Minus balances against working connections	859,322
TOTAL		1,553,672

It was replied that minus balances against working connections were due to advance payments from various Government departments. These advance payments were adjusted throughout the year. There was no irregularity or loss to NTC.

Audit recommended that detailed reply along-with the details of advance payments be provided to audit to proceed further in the matter.

No progress was intimated till the finalization of this report.

5.63 Irregular re-designation of posts and appointments

According to Establishment Division's O.M No. F-8-36/2000-R-1 dated 20.01.2001, cases of up gradation/re-designation of posts in BPS-20 and above will be submitted to the Chief Executive for approval but after seeking the concurrence of Finance Division and Establishment Division. The appointments against such posts shall be made in accordance with the provisions of civil servants Rules 1973. As per Rule 6(1) of CSR and Establishment Division's O.M No.6/4/95-R-3 dated 10.05.1997 in case of autonomous bodies the appointing authority for B-20 and above is Prime Minister.

In violation of the above, it was observed that NTC management re-designated the following posts despite pointing out in Audit Report 2010-11 (Para 4.20):

S.No.	Original nomenclature	Already re-designated	Further re-designated
01	Member (Finance)	CFO	Director General (Finance)
02	Member (Technical)	CTO	Director General (Technical)
03	Chief Engineer (M&O)	-	Director General Operations

Further, re-designation showed that the management was totally violating the rules and did not ready to abide by the rules. Due to this gross violation, the management had misused its powers regarding change in nomenclature of the posts without the approval of the competent authority. As the appointments to these posts were made by Chairman NTC, therefore, these were also irregular. Furthermore, according to SRO No.171(1)/90 dated 08.02.1999, the Financial and Technical concurrence for projects, opening and operations of bank accounts, maintenance of accounts was within the competency of Member (Finance & Technical). Therefore, the concurrence given by D.G (F) & (Tech) were un-valid and leads to financial indiscipline.

It was replied that NTC Management Board in its meeting held on 03-04-2012 approved re-designation of the post of Chief Technology Officer, Chief Operating Officer and Chief Finance Officer as DG (Technical), DG (Operations) & DG (Finance) respectively. The re-designation was made on instant discussion in the said board meeting without submission of working paper in this regard.

The reply proved that the re-designation was only as a result of discussion in the meeting. No formal working paper was submitted for the approval by the Board. The re-designation of posts was not in the purview of NTC Management Board. Approval of Finance & Establishment division was required whom were the competent forum in this regard because the posts of Member (F) and Member (Tech) were created by that forum. Moreover, the appointing authority against these posts was GoP (Establishment Division), therefore, appointments against these posts were irregular. Responsibility for violations of rules may be fixed.

No progress was intimated till the finalization of this report.

5.64 Irregular creation of posts in B-20 (MG-II) by NTC and appointments

According to Regulation 2.5 of NTC Service Regulations notified vide SRO No.60 (KE) 2008 dated 05.07.2008; NTC may create posts with the approval of Finance Division. As per Establishment Division O.M No.6/4/96-R.3 dated 10.05.1997, the appointing authority to B-20 posts in autonomous bodies is Prime Minister. As per Regulation 1.12 of NTC regulations, cadre means the strength of the service or part of the service sanctioned as a separate unit.

It was observed that NTC management had created two posts of General Manager's viz. G.M (Business Development) and G.M (Revenue) in (B-20) (MG-II) and appointments made. As per schedule (1) attached with service regulations, there existed no such posts in any cadre. Thus the creation of posts and appointments against these posts was unauthorized and irregular

It was replied that no new posts were created in MG-II instead of re-designation of the posts of Chief Engineer (Defence) and General Manager (Finance) as General Manager (Business Development) and General Manager (Revenue) respectively has been made with the approval of Chairman. The case was presented before NTC Management Board for revision in NTC organization chart as per approval of Chairman NTC. The board has not approved these designations made by then Chairman and deferred the matter.

The reply was not accepted because the re-designation of posts was neither in the purview of Chairman NTC nor Management Board. The re-designation was approved by a Chairman who was looking after the work of Chairman NTC and not authorized to make such decisions which had longer affects in the organogram.

Audit recommended that responsibility be fixed on those who submitted the case for approval and who approved the case by overstepping the powers.

No progress was intimated till the finalization of this report.

5.65 Irregular appointment and payment of salaries - Rs 1.204 million

According to Establishment Division O.M No.1/21/76-AR-1 dated 06.04.1987, extension in current charge appointment against B-20 (MG-II) and above beyond 6 months shall be sanctioned by the Prime Minister. The proposal to continue payment of additional pay beyond 6 months will also require approval from Ministry of Finance.

It was observed that an officer was given current charge of post of General Manager (North) from 23.11.2010. The officer was further given the current charge of D.G (Tech) from 16.05.2012. The promotion in B-19 was antedated which was under observation by audit and placed before PAC. This fact was strengthened by the decision of Board in its 78th meeting of 21.06.2012 which resolved as “ Director (Transmission) NTC H/Q holding current charge of the post of D.G (Tech) was facing an inquiry w.r.t. his retrospective appointment, hence could not be approved”. Current charge for 6 months expired on 22.05.2011 and extension was required to be approved from the competent authority, therefore, the continuation on current charge basis as G.M (North) from 23.05.2011 and D.G (Tech) 16.05.2012 was gross violations of rules. The payment of salaries including current charge payment @ Rs 86,000/pm ($86,000 \times 14 =$ Rs 1,204,000) was irregular.

It was replied that in terms of NTC Service Regulations there was no limitation of period for grant of current charge. Accordingly, the officer was granted current charge as per NTC Service Regulations. As regards his promotion in BPS-19 was concerned, the matter was under investigation in MoIT.

As the matter regarding antedate promotion in B-19 was under investigation then how the officer was appointed against a B-20 post which was not existed in the service regulations. The matter needs to be investigated at an appropriate level for fixation of responsibility for grant of current charge of B-20 post to an officer whose case for promotion in B-19 was already under investigation. Further, the continuation of current charge beyond 6 months was not covered under the rules.

Audit recommended that responsibility on this account may also be fixed besides recovery of amount involved.

No progress was intimated till the finalization of this report.

5.66 **Irregular charge of Chairman NTC on look after basis and invalid decisions**

Under the provisions of Section 41(2) of Telecommunication (Re-organization) Act 1996 (amended 2006), Chairman and other two members shall be appointed by Federal Government. Accordingly Establishment Division has been appointing Chairman and Members of NTC on regular basis/current charge basis.

It was observed that Chief Engineer (M&O) was granted current charge of the post of Chairman NTC for a period of 3 months from 23.01.2012 by Establishment Division vide notification No.1/74/1999-E-6 dated 14.02.2012. The current charge appointment expired on 22.04.2012 and not extended by Establishment Division. However, MoIT ordered vide notification No.5 (3)/20R-TL that the officer will look after the work of Chairman NTC for further period of 3 months w.e.f. 23.04.2012 or till the appointment of regular Chairman NTC. The charge was required to be extended by the Establishment Division on current/look after basis. Thus the look after charge from 23.04.2010 was not regular and the major decisions like "Change in nomenclature of posts, Re-designation of posts, Shifting of officers B-20 and appointment on current charge basis against rules, Promotions, Approval of projects and NTC Management Board meeting decisions (78th meeting) were not valid. These were the few instances to indicate the actions taken by a Chairman which were not supported by law. The sanctions of expenditure given by the Chairman, administrative approvals, allocation of vehicles to MoIT, space of NTC H/Q Building given to MoIT, budget approval etc. were all questionable.

It was replied that Chief Engineer (M&O) was granted current charge of the post of Chairman with effect from the same date by Establishment Division. On expiry of his 03 months current charge, he has been allowed to look-after the duties of Chairman. As regards

legality of action during look-after period is concerned, the matter may be taken-up with MoIT for clarification.

The reply was not accepted because the action of MoIT was not covered under the provisions of Telecommunication (Re-Organization) Act 1996 and Rule of Business 1973.

Audit recommended that matter may be referred to MoIT for response.

No progress was intimated till the finalization of this report.

5.67 **Gross violations in appointment/promotion as ADE to GM**

According to Establishment Division O.M No.06-02-2000-R.3 dated 06.05.2000 adopted by NTC vide regulation 2.34 where the nature of a particular job/vacant position requires contract appointment for a specific period, standing instructions should be issued by the Administrative Ministry/Division concerned. Vacancies should be advertised in the leading National and Regional newspapers. Further, Regulation 2.5 of NTC regulations specifies that, in order to make recruitment, vacancies shall be advertised in press. Furthermore, as-per O.M No.10-04-60-E dated 03.06.1961, Ministry of Defence should be consulted by the Ministry/Division/ organization before employing an officer who has applied for appointment directly without involving Ministry of Defence.

It was observed that Captain (retired) was appointed on contract on yearly basis at fixed remuneration as ADE without observing all the rules and NOC from Ministry of Defence. Further, his services were regularized as ADE in BPS-17 from 01.01.1999 without following the rules i.e. advertisement, DSC proceedings etc. He was appointed as D.E on current charge basis on 20.03.2001 and

regularly promoted in B-18 form 29.05.2001 within a period of 2 years 5 months whereas 5 years service was required. He was granted current charge of the post of Director B-19 from 28.10.2005 and acting charge from 23.11.2007 within a period of 8 years whereas service of 12 years was required for Director B-19. DPC in its minutes of 13.05.2011 did not clear the officer for regular promotion because he did not fulfill merits and his 3 ACRs had adverse remarks but the officer was promoted as Director B-19 (G-IX) on 24.02.2012 without any recommendations of DPC. The adverse remarks in his ACR's were expunged un-authorized by the irrelevant authority without following the instructions in this regard. He was further promoted as G.M B-20 (MG-II) vide notification No. HR.1-23/GM/Tech/2012/1004 dated 31.05.2012 without observing the rules for appointment/promotion to the post of B-20. The competent authority was Prime Minister for appointment against the posts in B-20, whereas Chairman NTC promoted the officer whose track record was not good and full of warnings/explanations as evident from his personal file.

It was replied that NTC Service Regulations were implemented in 2008; the same were therefore not applicable on cases prior to implementation of NTC Service Regulations. His services were regularized alongwith others in pursuance of NTC Management Board decision. He was promoted as Director (BPS-19) G-IX with effect from 24-02-2012 on the recommendations of DPC while full-filling all the pre-conditions for promotion in Group-IX. He was appointed on acting charge as General Manager MG (II) after approval of NTC Management Board.

The reply was not accepted being against the facts as elaborated in the observation. NTC management had grossly violated the Fundamental Rules from appointment against the post of B-17 till promotions /appointments against B-20 post. The officer was not fit

for promotion as Director as evident from the ACR's remarks by the reporting as well countersigning officers Secretary MoIT was not an authorized person to expunge the adverse remarks until and unless reporting & counter signing officers' views were not obtained.

Responsibility for non-observance of rules by NTC officers with regard to appointment and promotions as well not guiding the higher ups about the rule position with regard to ACR entries and promotion in B-20 may also be fixed.

No progress was intimated till the finalization of this report.

5.68 **Irregular appointments on deputation basis**

According to Establishment Division OM No 6/15.48.ME dated 31.03.1951 read with OM No 6/39/57.ME dated 05.02.1958, the transfer (deputation) from one office to another should be arranged between the offices concerned without a reference to any outside authority.

It was observed that applications of three officers of PTCL and one lecturer of KPK were sent to NTC for appointment on deputation basis by MoIT. The record revealed that the lower level management of NTC explained the position to the Chairman NTC and reported that there was no room for appointment on deputation basis as per NTC service regulations. However, Chairman NTC approved the appointments on deputation basis against the rules. The action of Chairman NTC who was not a regular Chairman and was allowed to look after the work of chairman was not in order. Further, due to deputation of employees from other departments the right of promotion of those who could be promoted and appointed against the posts was snatched

It was replied that three officers except one joined NTC on

deputation. The officers were taken on deputation on the recommendations of MoIT. These were taken against direct induction quota for the post of ADE; therefore, they had not blocked promotion of the serving officers in the channel of promotion.

The reply proved that the rules for deputation were not followed. Further, the reply revealed that the deputation was made against the direct induction quota which was not covered under any rule.

Matter may be investigated for fixation of responsibility for violation of rules.

No progress was intimated till the finalization of this report.

5.69 Irregular appointment as ADE and payment of pay & allowances - Rs 1.089 million

According to Regulation 2.5(i) of NTC Service Regulations, NTC may create posts with the approval of Finance Division and appoint such officers/officials as it may consider necessary. In order to make recruitment, vacancies shall be advertised in press. The appointing authority shall make recruitment on the recommendations of the respective Departmental/Selection Committee.

In violation of the above, two ADE's were appointed on contract basis against DWDM project till the completion of project. The services of the appointee's were required to be terminated after completion of the project in June 2011. NTC management did not terminate the services but appointed the same candidate on regular basis without following the recruitment procedure, observance of regional quota, approval from management board as well from Finance Division. It was further observed that Internal audit wing of NTC had also raised observations on regularizations of services as under:

- i. Vacancy was not advertised in the papers
- ii. No quota was observed as required under policy
- iii. No test/interview was conducted as required under the policy

In the light of above, the pay & allowances amounting to Rs 1,088,776 from 15.12.2011 to 30.09.2012 @ Rs 57,304 per month stands irregular.

It was replied that services of two ADEs working against the project were regularized against the vacancies in the interest of service, as the two officers got relevant experience during execution of DWDM project. Initially officers were appointed on contract against the project post, after following recruitment process.

The reply proved that due process for appointments on regular basis was not followed. Matter may be investigated for fixation of responsibility for non-following the NTC own regulations as well fundamental rules.

No progress was intimated till the finalization of this report.

5.70 Unjustified creation of sixteen (16) posts in different cadres

According to Regulation 2.5(i) of NTC Service Regulations, NTC may create posts with the approval of Finance Division and appoint such officers/officials as it may consider necessary. In order to make recruitment, vacancies shall be advertised in press. The appointing authority shall make recruitment on the recommendations of the respective Departmental/Selection Committee.

NTC launched a project titled "DWDM" during 2009-10 and contract appointments were made against different posts for the project only. The project was completed in June 2011 and became functional. As the project became functional, therefore, all the posts were

automatically abolished. However, NTC management started thinking conversion of DWDM project posts into regular sanctioned strength. The officers and staff deployed for SDH (STM, I, 4&16) could be utilized for the operation of DWDM as the project was upgraded shape of already existed system in operation in NTC. Instead of utilizing the services of already deployed people, NTC management decided to create posts and made appointments. This action of NTC was not in order and leads to overburdening of NTC finances and inflating the expenditure. NTC internal audit had raised the following concerns on the issue which was not considered by the Chairman NTC who was looking after the work of Chairman.

“The then Chairman NTC has converted 16 posts of DWDM project on regular basis without approval of NTC Management Board. The then CE (M&O) clearly suggested that the process of recruitment against the posts should be as per approved procedure without direct conversion. The then Chairman NTC, while ignoring remarks of CE (M&O) regularized the services of (02) DE of DWDM by violating recruitment policy approved by NTC Management Board. The appointment was held irregular, as policy regarding completion of selection process approved in 73rd meeting of NTC Management Board was gross violation”.

It was replied that on completion of the project against 41 sanctioned posts for operation of the project, only 19 posts were converted on regular strength as the same was duly approved by NTC Management Board. As regard, regularization of service of two Engineers was concerned the matter had been taken up with NTC Management Board for their retention or termination of their services during the probation.

The reply was not accepted being against the NTC service regulations. The creation of 16 posts for the job for which specified

professionals were already on NTC strength was not justified. Further, there was no need to retain the staff against the project which was already completed.

Matter needs investigation for fixation of responsibility for violation of regulations and creation of 16 more posts for the job which could be managed from the existing strength of staff deployed against SDH (STM) 1&4.

No progress was intimated till the finalization of this report.

5.71 Irregular appointments against project DWDM in violation of provisions of PC-I and payment of salaries - Rs 4.487 million

According to approved PC-I of project titled “up-gradation of NTC Long Haul Optical Transport Network by replacing existing SDH-STM-4 with Next Generation SDH-STM-64 and DWDM Platform, during the implementation phase 22 persons in different categories will be required to execute the project. The arrangement of execution teams may be done from NTC existing human resources on adhoc basis.

NTC was required to appoint the staff from the human resources already working in Transmission Divisions of NTC. But NTC did not follow the provisions of the PC-I and fresh appointments were made and an amount of Rs 4,486,830 was paid on account of salaries. The project was completed in June 2011, the employees appointed on contract were not removed and still they were working. The appointments against the provisions of PC-I was total disregard to rules. Further, the continuation of employment after the closure was not covered under any rule.

It was replied that on completion of the project, services of two N/Qs and four Drivers were taken on contract against regular

vacancies to meet acute shortage of manpower. As regard retention of AD (Finance) is concerned, the officer had been retained due to reason that FAC of the project had not yet been made. As per above provision, it was not mandatory to execute the project with NTC internal HR adjustment. However, efforts were made to cope with HR requirement from existing resource.

The reply was not accepted being against the provisions of PC-1. The appointments made against the project instead of utilizing the manpower already available in transmission divisions was an indicative of loose internal control.

Matter needs to be investigated for fixation of responsibility on those who violated the approved provisions of PC-1 and hired the staff without any justification which was a burden on NTC whose operational profit was converted into loss and increasing every year.

No progress was intimated till the finalization of this report.

5.72 Unjustified expenditure on employment against BCC&I Project - Rs 9.490 million

According to Rule 10(i) of GFR Vol-I, every public officer is expected to exercise same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own moneys. Furthermore, Rule 13 of GFR Vol-I stresses that every controlling officer must satisfy himself not only adequate provisions exist to prevent and detect errors and guard against waste and loss of public money.

It was observed from the record relating to BCC&I project that the prequalification process for vendors for the project was not matured and ultimately the project was scrapped. But NTC employed a number of persons against the project before the clearance/start of the

project. An expenditure of Rs 9,490,000 was incurred on pay & allowances of the employees engaged against the project. The expenditure was not covered under any rule and tantamount to non-existence of proper internal controls. These employees had left the organization on which NTC had expended a lot on the training.

It was replied that employment against BCC&I project was made as per PC-I of the project, as and when recommended/ required by the Project Head, as the same was mandatory for execution of the project. The recruitment was made after following the recruitment procedures as per policy in vogue

The reply was not accepted being against the provisions of rules. An appointment made against a project which was scrapped at infant stage was an indicative of a culture in the organization not to follow the rules in true spirit.

Matter needs investigation and fixation of responsibility for appointments against a scrapped project.

No progress was intimated till the finalization of this report.

5.73 Irregular appointment as General Manger

According to Establishment Division O.M No.1/25/83-R-2 dated 27.03.1985, the acting charge to B-19 and above posts be granted if the incumbents have completed required length of service. Further, as per O.M No.6/4/95-R-3 dated 10.05.1997; the appointing authority in B-20 in Autonomous bodies is Prime Minister.

It was observed that a Major (retired) joined NTC on deputation basis in March 1998 as ADE and after retirement from Pakistan Army appointed on regular basis as DE (B-18) from 09.04.2001. He was promoted as Director on acting charge basis in

B-19 from 23.11.2007. The acting charge/regular promotion in B-19 could be made if the incumbent had completed prescribed length of service (i.e. 12 years in B-17 & above). The officer had only 10 years' service including deputation in NTC. Thus the acting charge appointment was irregular. Later on he was promoted as Director on regular basis from 13.07.2011 and placed on probation for one year. During the period of acting charge and regular charge of Director, the officer was served one letter of advice and 2 explanations on his performance but astonishing to note that the officer was promoted on regular basis against the Rule 8(A) of Civil Servants Act 1973. The officer was given promotion as GM in B-20(MG-2) from 02.07.2012 on acting charge basis during the probation period of Director. The DPC proceedings revealed that the DPC constituted by NTC was against its own regulations and in violation of instructions of Establishment Division circulated vide No.6/4/95-R-3 dated 10.05.1997. The DPC had no participation of CTO (Member Tech or DG Tech). The committee constituted for interview had technical expert from PTCL which was not covered under regulation 2.24 of NTC regulations. The promotion/appointment in B-20 was prerogative of Prime Minister, therefore, acting charge given by the Chairman NTC who was only looking after the affairs of NTC was not valid. There was no provision in NTC regulations that someone could be promoted during probation period and completion of required length of service i.e. 17 years' service in B-17 & above for 20 whereas the officer had 14 years' service including deputation period.

It was replied that Major (R) was appointed as DE with effect from 09-04-2001. He was promoted as Director on acting charge basis in B-19 with effect from 22-11-2007. For promotion to BPS-19 he was required 07 years' service in B-18. Accordingly, he was promoted as Director B-19 with effect from 13-07-2011 on completion of 07 years' service. His services were placed on probation as per NTC Service Regulations for a period of one year and he was allowed appointment

on acting charge basis as General Manager (MG-II). There was no such rule that bar as appointment on acting charge basis. There was no minimum prescribed length of service for grant of appointment on acting charge.

The reply was not accepted being against the spirit of rules. As per schedule-11 of NTC service regulations 12 years' service in B-17 & above was mandatory for promotion in B-19. Further, as per Establishment Division's O.M #1/25/83-R2 dated 27.03.1965, 12 years' service & 17 years' service was pre-requisite for appointment on Acting charge basis against the post of B-19 & 20 respectively. The acting charge against B-20 was to be approved by the competent authority whereas the same was allowed by un-authorized authority. Responsibility needs to be fixed for gross violation of rules at each stage.

No progress was intimated till the finalization of this report.

5.74 **Irregular appointment/promotion as ADE to Director**

According to Regulation 2.5 of NTC Regulations, in order to make recruitment, vacancies shall be advertised in press and appointment shall be made after fulfilling the requisite formalities.

It was observed that an applicant was appointed ADE in B-17 on yearly contract basis at fixed emoluments from 22.03.1999. His services were regularized as ADE from 10.03.2000 without observing the rules and regulations i.e. no advertisement, no DSC, no test and interviews and no quota observance. The officer was given the current charge of post of DE (B-18) on 02.07.2003 and promoted from 10.07.2003 with 3 years' service against required service of 5 years. He was further promoted as Director on acting charge basis from 23.06.2008 with 8 years' service against the required service of 12 years. His services were regularized as Director from 20.04.2012 and

placed under probation for one year. During **the pendency** of completion/ termination of probation period, **he was given current** charge of GM in B-20 which was against the **provisions of rules** for appointments against B-20.

It was replied that applicant was appointed as ADE on contract to meet the emergent requirement of manpower especially in technical cadre in early days of establishment of NTC. He was **appointed** as Director (G-IX) on acting charge basis in terms of Rule No.2.31 of NTC Service Regulations. In acting charge appointment, length of service has not taken into account. He was promoted as Director (G-IX) w.e.f. 23-05-2012 on the recommendation of DPC while fulfilling all the pre-conditions for promotion in Group-IX.

The reply was not accepted being against the rules. The fundamental rules for appointment in B-17 were violated. Furthermore, as per schedule-II of NTC service regulations, 12 years' service in B-17 & above was mandatory for promotion in B-19. Further, as per Establishment Division's O.M No.1/25/83-R2 dated 27.03.1965, 12 years' service was pre-requisite for appointment on acting charge basis against the post of B-19. The current charge against B-20 was to be approved by the competent authority whereas the same was allowed by un-authorized authority.

Responsibility needs to be fixed for gross violation of rules at each stage.

No progress was intimated till the finalization of this report.

5.75 Unfair practices in appointment of ES/Telecom Tech

According to Regulation 2.3 of NTC Employees Service Regulations 2008, the appointment shall be made by way of initial, promotion, deputation, transfer and contract. As per schedule II of

regulations, an employee who has minimum qualification for appointment as ES is Matric with 3 years DAE in relevant field. The quota for direct appointment and promotion is 50:50.

It was observed that 20 vacancies of ES against promotion and 20 against direct induction were available. NTC decided to fill in promotion vacancies through internal circular. Accordingly tests, interviews were conducted by regions and merit lists were provided. NTC Headquarter while finalizing the appointments by promotion did not consider the merits of Islamabad, Peshawar & Karachi Region on the plea that the candidates had not a Diploma of DAE. In case of Lahore Region, total disregard was given to NTC own policy as one UDC (non-technical) was promoted as ES (a technical post) whereas T/Tech who was at SL No.7 of merit list was ignored and another candidate was appointed who was not on merit.

It was replied that the candidates of Islamabad & Peshawar Regions did not possess the basic qualification i.e. three years diploma in Associate Engineering. All the employees who possess Bachelor/ Master degree may take-up with the request that they may also be considered for appointment on the basis of their Bachelor / Master degree qualification. In case of appointment against internal circular the seniority of the employee concerned was counted with the date of his appointment.

The reply was not accepted being not based on facts. There was no ban on maximum qualification as the minimum qualification was DAE not the basic qualification.

Matter may be investigated for fixation of responsibility on those who had violated NTC own service regulations and deprived the deserving employees.

No progress was intimated till the finalization of this report.

5.76 **Irregular appointment as DEO on contract basis**

According to Regulation 2.34 of NTC Service Regulations, appointment on contract basis shall be made in accordance with the Federal Government instructions issued on 06.05.2000. As per Establishment Division O.M No.6/2/2000-R-3 dated 06.05.2000 open advertisement, Departmental Selection Committee proceedings and instructions of Administrative Ministry are required for contract appointments.

It was observed that an applicant was appointed as DEO on contract basis vide No. HR.32-1/2011/978 dated 23.09.2011. This appointment was made in violation of above instructions and policy guidelines approved in 73rd Board Meeting of NTC. Thus the appointment and payments on account of salaries was irregular.

It was replied that there was shortage of computer literate. Accordingly to meet the shortage, the applicant was appointed as stop-gap arrangement. However, no such appointment shall be made in future.

The reply was evasive and not true as the computer literate persons were available in bulk in society.

Metter needs an investigation for fixation of responsibility for violation of rules and regulations.

No progress was intimated till the finalization of this report.

5.77 **Unjustified expenditure on employment against ERP and Office Automation projects - Rs 8.340 million**

According to Rule 10(i) of GFR Vol-1, every public officer is expected to exercise same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise

in respect of expenditure of his own moneys. Furthermore, Rule 13 of GFR Vol-I stresses that every controlling officer must satisfy himself not only that adequate provisions exist to prevent and detect errors and guard against waste and loss of public money.

It was observed that employment on contract basis was made against ERP and Office Automation Projects from 2009-10 onward. An amount of Rs 8,340,000 was paid on account of pay & allowances to those who were employed against the project. The employment was considered irregular and unjustified because both the projects were to be run by the employees of the Corporation who were working in the organization under different heads. The modules like payments, revenue receipts, billing and stores and so on were to be designed as per the requirement of the present strength who was supposed to run the project. The employments for the time being against the project which were ultimately to be terminated after the completion of projects were not useful for the Corporation. The Corporation should have trained its officers and staff instead of hiring temporary staff which would not be useful for NTC.

No reply was given by the management.

Appointments against the projects may be justified in the light of audit queries.

No progress was intimated till the finalization of this report.

5.78 Irregular appointment/promotion on acting charge basis

According to Regulation 2.31 of NTC Service Regulations, no appointment on regular basis shall be made to posts in pay group V and above unless the officer concerned has completed such minimum length of service and attended training. Further, as per Establishment Division O.M No.1/25/83-R-2 dated 27.03.1985, the appointments on

acting charge basis to posts carrying B-19, the incumbent shall have completed 12 years' service in B-17 & above.

It was observed that NTC made acting charge promotions in B-19 (G-IX) of the officers against the NTC own regulations as well instructions of Finance Division. The appointment/promotion in B-19 of five (5) officers was irregular being against the rules.

It was replied that under Rule No.2.31 of NTC Service Regulations acting charge promotion was made where officer concerned did not possess required length of service. The officers were appointed on acting charge basis due to the reason that they did not complete 12 years' service in Group-VII and above. Therefore, the acting charge appointment of these officers was in line with the provision of Rule No.2.31 of NTC Service Regulations.

The reply was not accepted because the same was not based on facts. As per Annex-11 of NTC Regulations, the minimum service required was 12 years. Further, as per Establishment Division's O.M No.1/25/83-R2 dated 27.03.1965, for appointments on Acting charge basis the incumbent should have completed 12 years' service in B-17 and above. Thus the Acting charge appointments required the length of service which was mandatory for promotion. Responsibility may be fixed for violation of rules.

No progress was intimated till the finalization of this report.

5.79 Irregular appointment on current charge in B-19 (G-IX)

According to Regulation 2.18 of NTC Service Regulations, current charge appointments against higher posts be made with the approval of Chairman. As soon as the current charge is given, a proposal for regular appointment shall be initiated. As per Establishment Division O.M No.1/17/2000/R-2 dated 21.11.2000, the

extension in current charge appointments beyond 6 months shall be accorded by the Secretary of the Ministry concerned and payment of current charge pay by Finance Division.

It was observed that current charge appointment of an officer was made against B-19 (G-IX) by Chairman NTC which continued beyond 6 months. The approval beyond 6 months was required to be obtained from Secretary of Ministry of Information Technology in the light of Establishment Division O.M No.3/89/2004-R-2 dated 01.01.2005 but not obtained. Further sanction of Finance Division was required to be obtained for payment of current charge pay beyond six months.

It was replied that as per Rule No.2.18, there was no mention about period for grant of current charge. It can be lasted till vacancy was filled in through promotion or fresh appointment. As regard referring the case to Secretary Information Technology was concerned, there were no such provisions available in NTC service rules.

The reply was not accepted because the current charge appointment beyond 6 months was not approved by the Secretary MoIT and payment of current charge pay by the Finance Division. Audit requires that responsibility for violation of rules may be fixed.

No progress was intimated till the finalization of this report.

5.80 **Irregular appointment as Director (Civil)**

According to schedule II of NTC Service Regulations, promotion as Director (Civil) requires that the employee may be Deputy Director (Civil) and have requisite qualification and length of service. Further, as per schedule III, the appointment as Director require BE/BSc Degree in (Civil) Discipline.

It was observed that a D.E Phones NTC having qualification of BSc (Electrical/Telecom) was promoted as Director and posted as Director Phones NTC Quetta. But the appointment orders were cancelled and the officer was appointed as Director (Civil) NTC H/Q against the post for which the officer had not acquired any qualification as required in NTC service regulations. The appointment of a Telecom Engineer against the post of Civil Engineer was not in order.

It was replied that the officer was promoted as Director and posted as Director NTC Quetta. However, he had requested for cancellation of his transfer orders. The Chairman NTC while accepting his request posted him Director (Civil) temporarily. However, to effectively utilize his services, he was now being considered, for posting against the Technical Post.

Matter may be investigated for fixation of responsibility on those who advised the Chairman for appointment of non-concerned person against the post of Director Civil. The officer may be posted against a relevant post.

No progress was intimated till the finalization of this report.

5.81 Irregular constitution of Management Board and creation of posts

Under the provisions of Section 41(2) of Pakistan Telecommunication (Re-organization) Act, 1996, NTC shall be managed by a Management Board consisting of a Chairman and two other Members, to be appointed by the Federal Government.

According to SRO (30)/94-PTC dated 13.02.1996, Management Board was constituted by the Federal Government with the approval of Establishment Division by notifying Chairman NTC as Chairman of the Board and two members (Member Finance &

Member Technical). MoIT re-constituted the Management Board vide No F.9 (1)/2008-TL dated, 08.11.2008 without approval of the Establishment. Furthermore, MoIT against re-constituted NTC Management Board vide No.9(1)/2008-TL dated 15.05.2012 wherein Secretary IT&T Division was nominated as Chairman, Chairman NTC and Advisor to Finance Division were nominated as Members of the Board without the approval of Establishment Division. The change in Management Board was irregular and unauthorized. The chairman and members of the Board were to be appointed by the Government and not nominated as was done by MoIT. Thus the re-constitution of the Board and nominations were irregular.

It was replied that NTC Management Board was to be constituted by MoIT, the Federal Govt in case of NTC. NTC Management had no role in either appointment or nomination of Members to the Management Board. The case was under review of MoIT and may be referred accordingly.

The reply was not accepted being against the facts. MoIT was Federal Government in case of administrative matters and not in appointment of Board members. Establishment Division was the Federal Government in these matters in the light of Rule of Business 1973.

Responsibility for wrong doings maybe fixed and case may be referred to competent forum for approval.

No progress was intimated till the finalization of this report.

5.82 Irregular appointments on current charge basis

According to Establishment Division O.M No.1/21/76-AR-1/R-2 dated 18.06.1980 and 10.04.1981, where a vacancy in a higher post occurs for less than two months and it is considered impossible

for good reasons to make arrangements for day to day work of that post to be carried on otherwise, the current charge of the duties of that post may be given temporarily, with the approval of the authority competent to make appointments to the said post.

It was observed that Director HR and Director Internal Audit was granted current charge of the posts of General Manager (A&HR and DG Finance respectively). The concerned officers holding the regular charge of the post were transferred from their posts and posted against the posts of GM (Business Development) and GM (Revenue) respectively without any post in the NTC. The appointments on current charge were approved by a Chairman who was looking after the work of Chairman and not authorized to make such appointments. The decisions taken by current charge appointees were questionable and not in order.

It was replied that the current charge to officers was given on posting of former officers as GM (Business Dev) and GM (Revenue) respectively by the Chairman.

The reply was not accepted because the current charge appointments conditions were not prevailing. The relevant incumbents were available which were irregularly removed from the posts and unauthorized current charge appointments were made.

Audit requires that responsibility for wrong actions may be fixed.

No progress was intimated till the finalization of this report.

5.83 Irregular forced leave and appointment as OSD

According to Rule 2 of E&D Rules 1973, Secretary of MoIT is an authorized officer for NTC employees of B-17 to B-20. As per Rule 5(i) & (iii) of ibid where a Government Servant is accused of subversion, corruption or misconduct, the authorized officer may

require him to proceed on leave or with the approval of authority suspend him. If the authorized officer decides that it is not necessary to have an inquiry, he should give the accused a reasonable opportunity of showing cause against the action. Furthermore, as per Establishment Division O.M No. 5(1)/8/67.DV dated 19.09.1968, a Government Servant waiting for posting orders may be posted against the posts of OSD with the concurrence of Ministry of Finance/Financial Advisor.

It was observed that a B-20 officer was sent on forced leave vide HR/P.0009/2012/904 dated 16.05.2012 for 90 days. However, the leave was cancelled vide HR/P.0009/2012/1381 dated 23.07.2012 and posted him as OSD at NTC Headquarter. The actions regarding sending on forced leave and not issuing any show cause was against the spirit of E&D Rules. Moreover, the posting of officer as OSD require concurrence of Finance Division/Financial Advisor but the Chairman NTC had posted him as OSD which was not covered under rules.

It was replied that the officer was sent on forced leave by MoIT. However, as regards his posting as OSD, Chairman NTC had posted him OSD on cancellation of his remaining forced leave. The officer had now been posted as DG (Operations).

The reply was not accepted because the spirit of E&D rules was defeated. The orders of MoIT for forced leave with the reasons for sending the officer on forced leave may be provided. If the officer was at fault then why the leave was abruptly cancelled and made an OSD without fulfilling the requirements of rules.

Audit requires that responsibility may be fixed for all wrong doings.

No progress was intimated till the finalization of this report.

5.84 **Irregular up-gradation of post of DEO**

According to Establishment Division O.M.No.8/130/91-R-1 dated 12.05.1992, up-gradation of posts will be made with the concurrence of Finance Division (Regulation Wing) and Establishment Division. In June 2010, Finance Division and Establishment Division have declared that NTC cannot upgrade the posts.

It was observed from the 73rd Board Meeting minutes that 39 posts of DEO (G-III) were upgraded to (G-IV) by the NTC Board without the approval of Finance Division. The approval accorded by the Board was not valid until and unless approved by the competent forum.

It was replied that the post of DEO was up-graded in pursuance to the Finance Division Circular No.F.1 (10)/R-I/2010-234 dated 12-05-2011. Since the matter had already been approved by the Finance Division, therefore, the up-gradation orders were issued after endorsement for implementation of Finance Division's orders.

The reply was not accepted because the orders of Finance Division quoted in the reply were not for NTC.

Responsibility for irregular up-gradation may be fixed and regularized from the competent forum.

No progress was intimated till the finalization of this report.

5.85 **Irregular appointment as General Manager (IT)**

According to SI-1 under IT cadre in schedule iii attached with the employees service regulations of NTC notified vide SRO #60(KE)/2008 dated 05.07.2008, minimum qualification required for

the post of GM(IT) is BCS/BIT or BS/BSc(Engg)(Computer/IT), MSc Computer Science/ MCS/ MIT 1st class or equivalent with 10 years' experience.

It was observed that Col(R) who was belonging to Army Signal Corps was appointed as General Manager (IT) from 13-04-2012. The appointment of a person who was not qualifying for the post was gross violation of NTC own regulations and rules & guidelines broadly given on the subject in the ESTACODE and instructions issued from time to time by GoP. The appointment was considered irregular.

It was replied that the officer served in Pak Army in the Corps of Signal as Colonel and subsequently served NTC in the past on deputation basis. He also possesses B. Sc (Telecom Engineering) and Master of Science in Electrical Engineering and meet the required qualification as mentioned in Schedule-III of NTC Service Regulations. He was well versed with NTC Systems. He was not only looking after IT department but also he was head of Data Communication department.

The reply was not accepted being against the NTC own regulations.

Matter may be investigated for fixation of responsibility for wrong doings.

No progress was intimated till the finalization of this report.

5.86 Irregular appointment as Project Director

Executive Committee of National Economic Council (ECNEC) during the review of 2003-04 approved that for all ongoing projects costing Rs 100 million or more, independent project director should be appointed. Planning Commission vide No.2 (263) PW/PD/2003 dated

03.11.2006 reiterated that the policy should be followed and the expenditure on account of appointment should be met from contingencies of the project. This directive is again stressed 07.05.2007 and 29.07.2009. It is clarified that the appointment shall be made through advertisement and recruitment committee formulation also identified.

It was observed that a retired Army officer of Signal Corps working in NTC as Director (M&O) was appointed as Project Director for the project titled "Construction of NTC New H/Q Building" without advertisement and fulfilling the requirement of qualification criteria and appointment committee. The appointment was considered irregular and against the standing instructions of GoP.

It was replied that Govt. of Pakistan formally notified the instructions regarding appointment of Project Director in 2008 whereas the said project was started in 2003. At that time there was no such criteria for appointment of Project Director. Maj.(R) served in Pak Army and has sufficient experience of administering the big projects. He successfully completed NTC HQ building.

The reply was not accepted being not covered under the rules. Audit requires that responsibility for violation of rules may be fixed.

No progress was intimated till the finalization of this report.

5.87 Irregular employment on contract basis - Rs 1.109 million

Para 2.33 of NTC Service Regulations 2008 stipulates that non-technical staff in Group-I & II shall be appointed on contract basis only.

Contrarily, two formation of NTC appointed six officials on technical jobs on contract basis. An amount of Rs 1,108,994 was paid

during the year 2011-12 as detailed below:-

S. No.	PDP No.	Name of Formation	Designation	Period	Amount (Rs)
01	331-13	Director NTC Karachi	J/Tech	01.07.11 to 30.06.12	190,848
02	-do-	-do-	-do-	09.03.12 to 30.06.12	62,198
03	369-13	Director (Dev) NTC Multan	-do-	01.07.11 to 30.06.12	211,464
04	-do-	-do-	-do-	01.07.11 to 30.06.12	221,556
05	-do-	-do-	-do-	01.07.11 to 30.06.12	211,464
06	-do-	-do-	-do-	09.03.12 to 30.06.12	211,464
				TOTAL	1,108,994

It was replied that the contract staff was appointed by NTC HQ as per NTC authority laid in Delegation of Power.

The reply was not acceptable being against the NTC own service regulations.

Responsibility may be fixed for irregular appointment against the provisions of service regulation.

No progress was intimated till the finalization of this report.

5.88 **Loss due to short claim of rent of building - Rs 1.296 million**

According to clause 1 of lease agreement between Director NTC Lahore and M/s Multinet Pakistan (Private) Limited, the Lessor demises into the Lessee the Demised Premises i.e Ist Floor measuring 9600 Sq. Ft of the said building and fittings for a term of three years beginning from Ist June 2011 at monthly rent of Rs 105 per Sq ft. with additional charges termed as "Services Charges" of Rs 9 per Sq Ft

totaling to Rs 114 per Sq Ft for the first year and Rs 115.5 per Sq Ft. with additional charges of Rs 9 per Sq Ft. totaling amounting to Rs 124.5 per Sq ft. for the second year.

It was observed that Director NTC, Lahore rented out of 1st floor (9600 Sq ft) of its building to M/s Multinet. The rent charges @ Rs 105 per Sq Ft for the first year & @ Rs 115.50 per Sq Ft for the second year were claimed without service charges of Rs 9 per square feet. This resulted into less recovery of Rs 12,296,000 (Rs 9x9600x15). Furthermore, M/s Multinet paid an amount of Rs 6,022,680 out of claim of Rs 8,868,806 which resulted into less recovery of rent Rs 2,846,126.

No reply was given by the management.

The matter may be investigated to fix the responsibility for violation of contract clauses.

No progress was intimated till the finalization of this report.

5.89 Wasteful expenditure on Microwave sites with zero revenue - Rs 22.613 million

According to Rule 11 of GFR Vol-I, each head of department is responsible for enforcing financial order and strict economy at every step.

It was observed that a working paper was submitted in Board Meeting No.77th held on 03.04.2012 regarding disposal/sale of Microwave sites. The paper revealed that out of 143 Microwave sites, there were 52 sites with zero revenue wherein NTC was incurring Rs 22,612,957 per annum on account of staff salaries and electricity etc. In the same Board Meeting, a paper was also presented by GM (A

& HR) wherein it was explained that the NTC HR cost was increasing over the few past years whereas revenue of the Corporation was almost static. Thus NTC was bearing operational loss. NTC consultant hired during 2010-11 had also pointed out that the quantity of chowkidars was very high who were deployed at M/W stations. This was an indicative of loose internal controls

No reply was given by the management.

Matter needs an investigation for facts finding & fixation of responsibility for incurring expenditure without any revenue earning.

No progress was intimated till the finalization of this report.

5.90 **Irregular award of contract Rs 1.392 million and non-deduction of penalty - Rs 139,163**

According to Rule-04 of PPRs, "Procuring agencies, while engaging procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, as per Terms of reference of para 8 (a) of tender documents, the bidder should be duly licensed by the Pakistan Engineering Council (PEC) with valid PEC registration. However, the manufacturers/ vendors, authorized distributors are exempted from this requirement. According to clause 9.2 of contract agreement, the contractor without prejudice with other remedies shall pay to NTC liquidated damages equivalent to 2% per week of the contractual value in case of delay justified on part of contractor. However the maximum liquidated damages payable by the contractor should not exceed 10% of the total contract value or actual cost of job completion whichever is lower.

In violation of the above Director Dev. NTC, Karachi awarded

a contract for Rs 1,816,886 to M/s Hussain Enterprises for OSP expansion of secondary network 150 pairs from cabinet no 4 to various Govt. offices/residence at block No 9 NTC MSU Clifton Karachi. It was observed that the contractor did not fulfill the requirement of clause 8(a) of tender documents. Therefore, the work was stopped on the recommendation of DE (Phones) Cantt: Karachi and the project was revamped which was subsequently approved at a cost of Rs 1,391,627. The management should had adopted the process of re-tendering as the BCQ of approved tender portion on contractor's part was changed. Therefore, the expenditure incurred on this job is considered irregular.

The revised work order was issued on 19.09.2011 with the instruction to complete the work within 90 days which works out to 19th December 2011. The job was completed on 14-03-2012 with a delay of 86 days. Neither the time extension was granted by the management nor LD charges amounting to Rs 139,163 was (Rs 1,391,627 x 10%) deducted from the final bill of the contractor.

It was replied the basic motive of the NTC projects is to extend telecom & IT facilities to its designated subscriber's vis-à-vis to earn revenue to support its operations. During the execution of the subject work it was revealed that the potential subscriber base has been shifted from the existing location. The fact was scrutinized and after joint survey from maintenance and development team it was mutually decided to revamp the project so that it could prove to be viable. Hence a revised PC-1 incorporating all the changes was prepared and forwarded to NTC HQ with comparatively lower cost and that had been subsequently approved by the competent authority. Since the execution of the work had already been delayed substantially, as the job was already tendered twice and there was a minor amendment in the cost elements/site plan therefore work was awarded to the already lowest bidder. Since the delay was not on the part of the contractor,

imposition of LD was unjustified. In the light of detailed justification audit authorities are requested to drop the observation.

The reply was not acceptable as per Dir Dev South letter dated 21.04.2011, quantity of NTCs allocated store, items had been changed w.r.t revised stores requirement as per new proposal, the BOQ of approved tender portion on contractor's part was also changed, several new stores/services were included as per new proposal and rates of new stores was estimated whereas rates of new services items were based on estimated rates, therefore, re-tendering of the work was necessary. As regards the imposition of LD charges, neither the time extension by the management was granted to the contractor nor was the LD charges deducted.

Audit recommended that matter may be probed into and responsibility for violation of rules be fixed besides getting the expenditure regularized from competent forum.

No progress was intimated till the finalization of this report.

5.91 Irregular award of contract Rs 2.643 million & non recovery of LD charges - Rs 173,689

According to Rule-04 of PPRs, "Procuring agencies, while engaging procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further according to clause 9.2 of contract agreement, penalty @ 0.5% per week up to 10% maximum of the contract value will be imposed if the contractor fails to complete the work within due course of time.

It was observed that the contract for laying, commissioning of U/G Communication at PAF base Masroor Karachi, was awarded to

M/s Delta Telecommunication on 05.01.2011 with a cost of Rs 2,643,095.

M/s Delta Telecom completed the job on 25.08.2011 instead of 26.05.2011 with a delay of 92 days. Penalty of Rs 173,689 @ 0.5% per week up to 10% maximum ($2,643,095 \times 0.5\% \times 92/7$) was approved. But the Bank payment Voucher revealed that LD charges were not deducted.

It was replied that at the time of submission of bid M/s Delta Telecommunication had furnished all requisite certificate/document. The delay was not on the part of the contractor as mentioned in the job completion certificate issued by PAF. There were some security concerns/VIP movements inside PAF Masroor Base; consequently at times the contractor was not allowed to execute the work. Moreover the manufactures of the cable were unable to supply the cable required for the project and contractor intimated the facts to the PAF authorities and Director Development (South) accordingly. Therefore, until the verification of facts in the light of PAF Job Completion Certificate the amount has been retained rather to impose LD.

The reply was not acceptable as the valid PEC registration certificate was required to be submitted along with the bidding documents as per terms of reference mentioned in the advertisement. No documentary evidence was provided for the delay of job by the contractor. Further NTC was not supposed to safeguard the interest of the contractor as was reflected in Director Dev. Karachi letter dated 22.12.2011. Moreover, the conversion of LD charges into retention money was not justified and needs clarification.

Audit recommended that matter be probed besides affecting the recovery of LD charges and get it verified from audit.

No progress was intimated till the finalization of this report.

5.92 Irregular award of contract - Rs 26 million

According to Rule 4 of Public Procurement Rules, 2004 the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement beings value for money to the agency and the procurement process is efficient and economical. Rule 40 *ibid* stipulates that “save as otherwise provided that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

Scrutiny of estimate file No,Dir Dev (North)/862/2011-12 revealed that NTC management called the quotation for procurement of Multi Services Access Gateways (MSAGs) equipment during financial year 2011-12. The case was placed before Central Procurement Committee (CPC) on 5th May, 2012 for procurement of MSAGs on quoted price amounting to Rs 26,827,341. The CPC finalized and recommended the award of work to M/s Huawei at the total cost of Rs 26,000,000. The work was awarded to M/s Huawei on single quotation basis instead of open tendering.

The case was initiated due to urgent requirement of the MSAGs equipment whereas the award of work was finalized in five (5) months which clearly indicates that there was no urgency for procurement. All correspondence transpired that there was no emergency due to which the work was awarded on single quotation. The work was required to be completed upto 27th September, 2012 but contractor failed to complete the work and no LD was imposed/recovered. Furthermore, due to non-completion of work till now resulted into recurring revenue loss to NTC.

The correspondence further revealed that the equipment was procured on propriety basis whereas the MSAGs was not the propriety item as in previous year the same was procured by NTC management from other contractors. Moreover, M/s Huawei sublet the contract to M/s KSS (Pvt) Ltd which was against the rules and showed that MSAG was not the propriety item.

It was replied that the procurement of MSAG equipment was made by HQ NTC on proprietary bases. Proprietary certificate is attached. As regard to advance payment the same was made after approval of the competent authority and no violation was committed.

Audit requested that documentary evidence showing that MSAG equipment was not manufactured by any other contractor be provided to audit to proceed further in the matter.

No progress was intimated till the finalization of this report.

5.93 Irregular award of work and expenditure amounting to Rs 1.136 million

According to Rule 4 of Public Procurement Rules, 2004 the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner Rule 40 of PPRs 2004 states that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder. The extent of negotiations permissible shall be subject to the regulations issued by the Authority.

During test check of file of Estimate No.755/2009-10 regarding laying of UG cable network at Askari IV, Askari X and Fauji Tower, Rawalpindi it was observed that as a result of open tender the work was awarded to M/s Muhammad Nawaz Khan & Brothers being lowest bidder. An amount of Rs 1,136,128 was paid for the subject

work. The expenditure was held irregular due to the following grounds:

- (i) The rate for making & excavation in Kacha trench was quoted as Rs 550/- per meter by the contractor and accepted by the NTC being lowest bidder. The paid bill revealed that in some portion the payment was made @ Rs 366 and in other @ Rs 550/-.
- (ii) The rate for making & excavation in Pacca trench was quoted as Rs 800/- per meter by the contractor and accepted by the NTC being lowest bidder. The paid bill revealed that the payment was made @ Rs 266 & Rs 533/-.
- (iii) The rate for warning tape in Fauji Foundation Tower Chaklala was accepted as Rs 10/- per meter and in Askari IV & X as Rs 7/- per meter. The payment was made @ Rs 7/- in both the works which was deviated from the tendered rate and against the PPRs.
- (iv) Per unit rate accepted in open tender was deviated at the time of payment which rendered the whole process as doubtful and against the PPRs.

It was replied that the payment was made on lower rates because in some places PTCL/NTC network had already been existed. The payment was made after physical verification by the team detailed by the Director. There was no loss in any case to NTC.

The justification was not acceptable to audit because the rates as approved at the time of the opening of tender was deviated which rendered the whole process as doubtful. Audit requested that detailed reply with documentary evidence be provided to proceed further in the matter.

No progress was intimated till the finalization of this report.

CHAPTER-6

SPECIAL COMMUNICATIONS ORGANIZATION

SPECIAL COMMUNICATIONS ORGANIZATION (SCO)

6.1 Introduction

Special Communication Organization was established in July 1976 for the operation, expansion, maintenance and modernization of telecom system in Gilgit Biltistan including Azad Jammu & Kashmir. It is managed by a Project Board under the Chairmanship of Signal Officer in Chief (Army). Its administrative control is under Ministry of Information Technology.

DG SCO exercises administrative and financial powers given in Financial Budgeting Accounting & Audit (FBA&A) procedure as approved by the Project Management Board. Its accounts are maintained on the accounting system of erstwhile T&T department. CMA (FWO) is responsible for pre-audit and reconciliation of the expenditure of SCO with AGPR.

6.2 COMMENTS ON BUDGET AND ACCOUNTS

6.2.1 SCO management did not provide the receipt & expenditure account till the finalization of this report despite continuous pursuance by audit. Hence, no comments on the accounts could be offered.

6.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

Ministry of Information Technology SCO

S.No.	Audit Year	Total Paras	Total Directives	Compliance received	Compliance not received	Compliance %age
01	1992-93	22	22	18	4	82
02	1996-97	0	0	0	0	0
03	1997-98	04	04	04	0	100
04	1999-00	7	7	2	5	29
05	2000-01	5	5	3	2	60
06	2001-02	5	4	4	1	80
07	2005-06	9	9	3	6	33
08	2008-09	5	5	0	5	0

AUDIT PARAS

6.4 Un-authorized expenditure on pay & allowances without availability of posts - Rs 3.000 million

According to Rule 9 of GFR Vol-I as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or specific orders of the president or by any authority to which power has been delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

Scrutiny of strength return for the month of June 2012, revealed that there were five (5) Civil Communication Engineers were working but there was no authorization of these posts were available. Further, the available contracts of Civil Communication Engineers were only for three (3) persons. Hence, expenditure of Rs 3,000,000 incurred on pay & allowances during FY 2011-12 without availability of posts stands un-authorized. Detail of expenditure is given below:

Authorized No. of Posts	Working strength	Rate per month approximately	Total (Rs)
NIL	05	50,000 (50,000 x 5 x 12)	3,000,000

It was replied in January 2013 that according to provision contained in para 10 d of Annex A to FBA&A procedure, DG SCO is empowered for appointment of communication engineer on contract basis.

The reply was not acceptable being not in-line with the audit observation as no rule permit for appointment on regular or contract basis without availability of the posts.

Audit recommends that matter be investigated at appropriate level for facts finding besides regularization of the expenditure.

No progress was intimated till the finalization of this report.

6.5 Irregular/Unjustified expenditure - Rs 1.279 million

According to Rule 9 of PPRs 2004 a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Rule 15 further stipulates that procuring agency, prior to floating of tenders, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of expensive and technically complex equipment repairs are involved. Moreover, Para 48 (e) of FBA&A Procedure stipulates that all quotations will be opened by a board of officer and the board will observe that the quotations are received in sealed envelopes and have not been tempered with. Numbers and names of contractors present at the time of opening of quotation will be recorded in the proceedings.

Test check of paid vouchers revealed that an amount of Rs 1,279,330 was incurred on repair & maintenance of vehicles and purchase of stationery during FY 2011-12. A combined letter for calling of quotations was issued to specified three contractors throughout the year. M/s Mubashir Motor Workshop & Autos was declared lowest for repair of vehicles and M/s United Book Depot for purchase of stationery every time. The process for calling of quotations and awarding of work was against the provisions of FBA&A Procedure as well as PPRs. Detail is as under:

S. No.	Reference	Description	Name of Firm	Amount (Rs)
01	Item No.04	Repair of vehicles	M/s Mubashir Autos	749,500

02	Item No.05	Purchase stationery	of	M/s United Book Depot	529,830
TOTAL					1,279,330

It was replied in January 2013 that all the expenditure below the limit of tenders, therefore, the same was incurred through quotations. In the light of para 48 (e), of FBA&A procedure all process i.e calling of quotation, issuance of work order and maintenance of record CRV/RV was adopted before incurrence of expenditure. The prequalification process was not feasible being remote area of Skardu. However, the contractors are registered with this Unit.

The reply was not acceptable as the proper procedure for calling of quotations as required in para 48 (e) of FBA&A procedure was not adopted, therefore, expenditure stands irregular.

Audit recommends that procedure currently adopted for incurrence of expenditure be got revisit in accordance with the PPRs and FBA&A procedure besides regularization of expenditure.

No progress was intimated till the finalization of this report.

6.6 Non recovery of late payment charges from the banks due to delay transfer of revenue - Rs 33.353 million

According to Para 4.5 of the agreement of Bank Alfalah the bank shall transfer all collected amount weekly to GPO Gilgit city free of cost or as and when required by the competent authority. Further, Para 4.2 of the agreement with Habib Bank Limited Gilgit and NBP Mirpur the bank shall transfer all collected amount weekly to GPO Gilgit city free of cost or as and when required by the competent authority. In case of National Bank of Pakistan, Gilgit clause 4.5 of the agreement stipulates the bank shall transfer the amount on monthly basis, free of cost. This clause amended on 27th December, 2011 that

the bank shall transfer the amount on weekly basis instead of monthly basis.

Clause 5.3 & 5.4 of the agreements further elaborated that in case of delay transfer, the bank shall liable to make payment to SCO at Karachi Inter Bank Organization Rate (@ KIBOR+2%) for any delay in transfer of SCO funds from collecting Branch/Main Branch to SCO main account of GPO Gilgit & Mirpur (AK).

Test check of statements/record of revenue collected and transferred revealed that the Banks delayed transfer the revenue of SCO but SCO management did not impose/recover late payment charges in violation of the above clauses of the agreements. An amount of Rs 33,352,657 was calculated as late payment charges for the Financial Year 2011-12. Detail is as under:

S.No.	PDP No.	Name of Unit	Amount Rs)
01	310-13	AOTR, Gilgit Baltistan	33,128,276
02	619-13	AOTR, Mirpur (AK)	224,381
TOTAL			33,352,657

It was replied by the AOTR Gilgit that the contract agreement with the banks was made in the light of instructions given by the Headquarter SCO. The amendment was also issued according to the instructions conveyed by the HQ SCO. However, transferring of amount on weekly basis was not possible. However, in the light of audit observation the agreements had again been revised for transferring of amount on monthly basis. AOTR Mirpur replied that due to unforeseen technical problems bank branches could not transfer revenue on due dates.

The reply was not acceptable because the revenue was not transferred by the banks as per agreements signed by the both parties' i.e SCO and Banks. The penalty on delay transfer of revenue was also not imposed according to the agreement.

Audit advised that matter may be taken up with the HQ SCO as well as with the Banks for recovery of late payment charges from the banks besides verification of revised agreements.

No progress was intimated till the finalization of this report.

6.7 Non-recovery of outstanding dues - Rs 3.137 million

FBA&A procedure of SCO is silent regarding recovery procedure from the defaulters. Further, there is no SOP on recovery is available with the AOTR, Gilgit. However, according to Rule 28 of GFR Vol-I, no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

During comprehensive audit for the FY 2011-2012, bill register and recovery posting ledgers were requested. It was informed that all bill register were on computer and the AOTR has a limited access. The overall control remains with the Headquarter SCO. However, only lists of outstanding dues were provided to audit. According to the lists of outstanding dues against private subscribers, Government Departments, PCOs and permanent closed connections an amount of Rs 3,136,863 was recoverable during FY 2011-12. Detail is tabulated below:

S. No	PDP No.	Name of Unit	Description	Amount (Rs)
01	311-13	AOTR Gilgit	Outstanding dues against defaulters, court cases, ED PCOs & SCO & permanent closed connections	1,247,970
02	414-13	AOTR Mirpur	Outstanding dues against working/ closed Government / Private subscribers, court cases & defaulters	1,250,409
03	620-13	AOTR Mirpur	Outstanding dues against defaulters & DXX circuits	638,484
TOTAL				3,136,863

It was replied in January 2013 that an amount of Rs 1,829,186 has been recovered leaving of balance of Rs 1,307,677. The efforts for recovery of balance amount from the defaulters are underway. The recovery particular will be furnished shortly.

Audit recommended that recovery be got verified and concrete efforts be made to recover the outstanding dues and get it verified from audit.

No progress was intimated till the finalization of this report.

6.8 Irregular payment on account of mobile phone services - Rs 1.662 million

As per Cabinet Division letter No.F.5/2004-GC, dated 11th April, 2005, the provision of mobile / cellular phone is restricted to Additional Secretary only. Other BPS-21 officers are not entitled to this facility.

In violation of the above, SCO management was incurred an expenditure of Rs 1,662,283 on payment of mobile phone services during 2011-12 despite pointing out in previous reports by the Audit. The officers were not entitled for provision of mobile phone facility but the payment was made. Detail is as under:

S.No.	PDP No.	Name of Unit	Amount (Rs)
01	315-13	62-Composite Signal Battalion, Rawalpindi	276,409
02	375-13	SCO Headquarter, Rawalpindi	1,385,874
TOTAL			1,662,283

It was replied in January 2013 that SCO is responsible for operation, maintenance and development of telecommunication infrastructure in Azad Jammu & Kashmir (AJ&K) and Gilgit-Baltistan (GB) and is currently providing PSTN (Landline Telephone), GSM (Cellular Mobile), WLL (Wireless Local Loop), DSL (Broadband

Internet), DXX (Digital Cross Connect) and DPLC (Domestic Private Leased Circuits) services. SCO role was basically of a telecom service provider like PTCL / other cellular mobile operators and the functioning is altogether different from other Government departments working under Ministries / Divisions. The units, establishments and forward detachments are spread over thousands of kilometers in entire length and breadth of the area. At some places they remain completely isolated and cut off during entire winter season. Provisioning of requisite communication facility to SCO officials / supervisory staff irrespective of their status is an operational requirement to ensure smooth functioning and enhancing organizational operational efficiency. Case is still under consideration at MoIT.

The reply was not acceptable being contravention of instructions of the Cabinet Division however further progress of the case of regularization sent to the MoIT may be intimated to proceed further in the matter. As regard to the reply it was not acceptable to audit because instructions issued by the Cabinet Division are applicable to SCO. Therefore, any relaxation in the policy should be obtained before incurrence of expenditure.

It is recommended that expenditure be got regularized besides fixing of responsibility for the repeated violations.

No progress was intimated till the finalization of this report.

6.9 Unauthorized booking of expenditure in cash book without availability of cash bank ceiling – Rs 1.251 million

According to Para 39 of FBA&A procedure of SCO the Unit Accountant (UA) is responsible for checking the cash book, payment authorities before a cheque is issued. Further, the cash book will be close on 25th of each month and submitted to CMA (FWO) alongwith a copy of Punching Medium (PM) and supporting vouchers by 1st of next month.

It was observed that the roll of the Unit Accountant in 63-Composite Signal Battalion, Danyore (GB) did not seem to be appear as the expenditure incurred during May & June 2012 was neither entered in the cash book nor the cash book of work imprest was closed as on 30th June, 2012 on closing of financial year 2011-12. However, copies of the Punching Medium (PM) sent to CMA (FWO) showed incurrence of expenditure of Rs 1,251,295. The detail of PM sent to the CMA (FWO) is as under:

S.No	Date	Amount	Remarks
01	26.03.2012	385,164	Initially Punching Medium (PM) for the month of March 2012 sent to CMA (FWO) contained an amount of Rs 512,214 whereas the same was revised to the extent of Rs 385,164 without recording any reason. The PM contained the contingent bill/paid voucher from 26.02.2012 to 25.03.2012.
02	26.04.2012	494,725	This PM contained the contingent bill/paid voucher from 26.03.2012 to 25.04.2012.
03	28.05.2012	371,406	This PM contained the contingent bill/paid voucher from 26.04.2012 to 25.05.2012. The PM sent to CMA consist of Rs 495,935 whereas subsequently revised to the extent of Rs 371,406
TOTAL		1,251,295	

Following irregularities were observed:

- (a) Available record showed that the unit submitted the claims amounting to Rs 1,251,295 alongwith contingent bill & cash book as per procedures to the CMA (FWO) with the request to release the amount but the same were not received back in 63-CSB Gilgit to proceed further till closure of Financial Year 2011-12.

- (b) The cash book of work imprest shown the booking of expenditure upto 25th April, 2012 against negative balances of Rs (379,889) and without availability of cash bank ceilings which indicated that expenditure was incurred without receiving/ release of ceiling from CMA (FWO). This is an indicative of week internal control in the organization.
- (c) The punching medium for the month of May 2012 was sent to CMA (FWO) on 28th May, 2012 for Rs 495,935. This amount was also shown in "**All Pakistan Compilation System**" of MAG. This amount of PM was neither entered in the cash book nor the paid vouchers available whereas the PM sent to CMA (FWO) showed contingent bill and payment vouchers. This all indicated that expenditure was incurred in advance without availability of cash bank ceiling.

It was replied in January 2013 that It was rightly pointed out by Audit that unit submitted the claims alongwith contingent bills & cash book as per procedures to the CMA (FWO) with the request to release the amount but the same was not received back in 63 CSB Gilgit to proceed further till closure of Financial Year 2011-12 despite repeated requests. However, before closure of FY 2012/13, HQ SCO re-appropriated allocation of funds vide their letter No. 2601/6/SCO/ Budget dated 25th June 2012 and reduced the allotment of Work imprest in respect of 63-CSB by Rs 1,251,295. As a result no excess amount / unspent balance remained with the unit on acct of Work Imprest.

The reply was not acceptable as the audit was conducted in July 2012 and till time the case was under process with the CMA (FWO) then how the amount was re-appropriated on 25th June, 2012 by the SCO HQ. Further, no re-appropriation seems to be appear in SCO HQ as noticed during the audit of SCO HQ in August/September 2012.

Audit recommended that matter be investigated at appropriate level for detailed facts finding and fixation of responsibility to those who at faults.

No progress was intimated till the finalization of this report.

6.10 Irregular appointments on contract basis resulted into irregular expenditure - Rs 2.185 million

According to prevailing rules of appointment by direct recruitment to all posts including specified in PC-I for certain project and on contract basis are made through open advertisement in the newspaper.

During examination of the files of appointments on contract basis it was observed that three (3) Communication Engineers were appointed on contract from 2006 to 2010 against the posts of captain. Four (4) candidates were appointed on contract basis from 2007 against various projects. These appointments/contracts were further made / extended for the period 2011-13 without open advertisement and any gap after expiry of previous contract. The extension in the contracts was just like regular appointments which were against the terms and conditions of the contract appointments. The record did not show either the appointments were made through open advertisement or otherwise.

Moreover, strength returns for the year 2011-12 showed working strength of the captain in subsequent months of 2011-12 against the ten authorized posts of captain in the TO&E. Therefore, appointments of three (3) Civil Personnel as Communication Engineer, in lieu of Captain (Army personnel) in the presence of working strength of Captain was not justified and in accordance with the rules. Hence, expenditure amounting to Rs 2,185,000 incurred on pay & allowances during the year 2011-12 stands irregular.

It was replied in January 2013 that three communication engineer (in lieu of captains) and four civil engineers have been enrolled against NAs /PC I. There was no restriction on extension of their contract. The appointments were made as per laid down procedure.

The reply was not acceptable because the personal file of the individual in the unit should be complete in all respect including copies of advertisement. The unit should pursue for the posting of the Captain according to the TO&E as the appointment of civilian against the post of the Army Personnel was in violation of the provision contained in the ESTA Code.

No progress was intimated till the finalization of this report.

6.11 Non Surrender of savings - Rs 1.253 million

Rule 95 of GFR Vol I states that all anticipated saving after 31st March shall be surrendered to the Government immediately but not later than 30th June, 2012. Further, Para (f) of instructions issued by Headquarter SCO on control over expenditure vide letter No 2061/6/SCO/Budget dated 4th August, 2011 stipulates that a certificate to the effect that all allotments made for the year have been utilized/ drawn from CMA (FWO) and the unit balance is Nil must be forwarded to the HQ SCO (Finance Branch by 10th June 2012).

During comprehensive audit of 63-Composite Signal Battalion, Danyore (Gilgit) certain records including expenditure statement were requested. The expenditure statement provided on 9th July, 2012 was examined and found that there was an excess expenditure of Rs 1,252,790. At the time of discussion on the observations with the Commanding Officer on 16th July, 2012 another expenditure statement was provided which showed a saving of Rs 1,252,790. The subject

savings was not surrendered to SCO Headquarter or to the Federal Government in violation of the above rules/instructions.

It was replied in January 2013 that in the light of HQ SCO letter No.2601/6/SCO/Budget dated 25th June, 2012 unit did not had any unspent amount in the work imprest which could be surrendered.

The reply was not acceptable as the Rules and standing instructions are very clear on the issue that each and every savings as on 30th June should be surrendered to the Federal Consolidated Fund. PAC in its various meetings also directed time and again that there should be zero excess and zero saving on closing of financial year. Furthermore, SCO HQ letter as referred in the reply did not seems to be available and provided during the audit of HQ SCO as well as the unit during July to September 2012.

Audit advised that matter may be investigated with a view to fix the responsibility to those who at fault besides regularization of the case.

No progress was intimated till the finalization of this report.

6.12 Irregular payment to Barber and Dhobi - Rs 5.798 million

FBA&A procedure of SCO is silent regarding payment to Dhobi & Barber, fixation of rates and renewal of the contract. However, Para 58 (a) & (b) of FBA&A procedure of SCO, procurement over Rs 100,000 and upto Rs 2,000,000 will be advertised on PPRA website and procurement over Rs 2,000,000 will be advertised in at least two national dailies (one English and the other in Urdu) in addition to PPRA website.

Test check of paid vouchers revealed that SCO management had paid an amount of Rs 5,797,722 to Dhobi and Barber during the

FY 2011-12 in violation of the above. The payments were made to Dhobi and Barber from the budget granted by the MoIT whereas FBA&A procedure had no provision of such payments and fixation of rates without tendering. The contract was extended time and again without open tendering. Moreover, payments on-account of hair cuttings and washing of cloths were made on the basis of the persons attended mess during a month instead of actual work done by the contractors. Satisfactory work reports of the contractor based on the reports of services receiver were also not on record. Detail is as under:

S.No.	Reference	Name of Unit	Amount (Rs)
01	Item No.02	63-Composite Signal Battalion, Danyore (GB)	2,252,705
02	Item No.02	65-Composite Signal Battalion, Sakrdu	819,083
03	Item No.01	62-Composite Signal Battalion, Rawalpindi	1,662,328
04	Item No.01	Headquarter SCO	1,063,606
TOTAL			5,797,722

It was replied in January 2013 that according to Para 30 of FBA&A Procedure (Miscellaneous Claims), Other grant/allowances admissible under existing rules from time to time or any special allowance sanctioned by the Government or the Project Board will be claimed from CMA (FWO)/FPO on a contingent bill (PAFA-115) by Formation/Units for necessary audit and payment. However Para 58 (a) & (b) of FBA&A Procedure does not pertain to Dhobi and Barber Contractors. As per rule in vogue contract/fixation of rates of Dhobi/Barber contractors is in accordance with FR Vol-I 1986 rule 130 (Annexure J) in the entire Army. FR 130 does not permit the contract through open tender. It is also clarified that Dhobi M/s Shah Din and Barber M/s Shahid Abbas do not belong to this HQ.

The reply was not acceptable because Para 30 of FBA&A is regarding miscellaneous claims and not to the payment to Dhobi and

Barber without tendering. SCO is working for provision of Telecommunication Services to the general public of AJ&K and NAs for which the budget was granted by MoIT, therefore, the same should be expended in accordance with the FBA&A procedure and other rules of the Federal Government. The reply revealed that the contractors did not belong to SCO HQ then why the payment was made to these contractors from SCO budget.

It is advised that a provision may be incorporated in the FBA&A procedure duly showing the way of payment to Dhobi & Barber and renewal of the contracts year by year.

No progress was intimated till the finalization of this report.

6.13 Unjustified payment on account of training - Rs 4.711 million

According to clause 20.1 to 20.3 under head Article 20 Training of the contract agreement the contractor shall arrange training during installation and undertake a comprehensive training programmed under the supervision of qualified staff for the Employer's personnel to ensure that they shall acquire a good working knowledge of the design, operation, maintenance and repair of the equipment to be supplied under the contract. Further, an amount of US\$ 100 per day shall be paid by the contractor as Daily Allowance to each trainee during 10 working days. In addition contractor shall conduct 6 courses local training at Rawalpindi/Islamabad or any other place as approved by the SCO.

In violation of the above it was observed that contract No.SCO/ZTE/GSM dated 10-6-2010, amounting to Rs 11,778,025 was placed in the project as Training Cost and out of total provision an amount of Rs 4,711,210 (40% of the total) on account of training was paid during FY 2011-12. The payment was in violation of the above

clauses of the contract. Clauses of the contract agreement clearly showed that trainings foreign and local will be arranged by the contractor including the payment of daily allowance in case of foreign training but the commercial Invoice No.20095195 dated 24th June, 2011 of M/s ZTE showed the claim under head training which was considered as unjustified being in contravention of the contract clauses.

It was replied in January 2013 that payment was made to the contractor for training in China for GSM expansion (GB) Project. The training was in line with BOQ of the contract and not violation of any rule / contract.

The reply was not acceptable being in contravention of the contract clauses according to which the both trainings were arranged by the contractor (local and foreign).

It is recommended that matter may be investigated for facts finding under report to audit.

No progress was intimated till the finalization of this report.

6.14 Unauthorized expenditure over and above the budget allotment - Rs 256.230 million

According to Para 5(d) of system of Financial Control Budget, (September 2006) issued by Ministry of Finance vide O.M No F.3 (2). Exch-III/2006 dated 3rd September, 2006 the Principal Accounting Officer is responsible for ensuring that the expenditure is not incurred in excess of budget allotment.

During examination of Budget allocation and expenditure statement All Pakistan Compilation (APC) it was found that, an expenditure of Rs 256,230,293 was incurred in excess over the budget

allotment during the FY 2011-12. Detail is as under:

S. No.	Description	Allocation (Rs)	Expenditure (Rs)	Excess (Rs)
01	230001-Minor head (a) Pay & allowances officers/staff	867,991,980	1,119,404,820	251,412,840
02	230403-Minor head (e) Provision including other ASC stores	163,803,850	168,621,303	4,817,453
TOTAL		1,031,795,830	1,288,026,123	256,230,293

It was replied in January 2013 that budget allocation (IBC) of Rs 1,750,000,000 was made to SCO for Non Development Budget (Current Expenditure) FY-2011-2012 as against the BE of Rs 2,201.205 million. Excess expenditure was only in Employees Related Expenses i.e Pay and Rations. The excess was due to Adhoc relief allowance 2011 @15% of the running basic pay was given to all ranks (Army /Civil) w.e.f 1st July, 2011. Rates of Conveyance allowance and rental ceiling were also revised. Rates of Rations items, an obligatory expenditure, were increased considerably during the FY 2011-12.

A supplementary demand duly recommended by the FA (Army) of Rs 312.817 (M) was processed to meet the expected shortfall of obligatory heads of accounts (Pay & Allowance and Rations) vide letter no 2601/6/SCO/Budget dated 27th December, 2011.

The reply was not acceptable and recommended that excess expenditure be got regularized from competent forum.

No progress was intimated till the finalization of this report.

6.15 Non Surrender of savings - Rs 20.411 million

Rule 95 of GFR Vol I states that all anticipated saving after 31st March shall be surrendered to the Government immediately but not

later than 30th June, 2012. Further, Para (f) of instructions issued by Budget Branch Headquarter SCO on control over expenditure vide letter No 2061/6/SCO/Budget dated 4th August, 2011 stipulates that a certificate to the effect that all allotments made for the year have been utilized/ drawn from CMA (FWO) and the unit balance is Nil must be forwarded to the HQ SCO (Finance Branch by 10th June 2012).

During review of Budget allocation of Development Funds and Expenditure shown in All Pakistan Compilation (APC) it was observed that there was a saving of Rs 20,411,221 but the same was not surrendered to the Federal Government in violation of the above. Detail is given below.

S. No	Description	Allocation (Rs)	Expenditure (Rs)	Savings (Rs)
01	Minor Head (ZD) Laying of Optical Fiber Cable to connect Remote Locations of AJ&K and NAs (Project No.V/2009-10).	33,844,000	28,432,779	5,411,221
02	Minor Head (ZF) Relocation of already laid SCO's Telecom Assets due to up-gradation of KKH from Raikot to Khunjrab (Project No.I/2008-09).	5,000,000	0	5,000,000
03	Minor Head (ZG) construction of Cross Border Optical fiber Cable (OFC) System between China and Pakistan for International Connectivity of Voice/Data Traffic (Project No.I/2009-10).	10,000,000	0	10,000,000
TOTAL		48,844,000	28,432,779	20,411,221

It was replied in January 2013 that out of total PSDP allocations of Rs 148.844 million an amount of Rs 139.991 million was released as a result Rs 8.853 million not released by P&D

Division. It is highlighted that funds for the 4th Quarter (QE-Jun 2012) were released by P&D Division and MoIT during 1st Week of June 2012 therefore the expenditure could not be incurred. The project titled “Construction of Cross Border Optical Fiber Cable System between China and Pakistan for international connectivity of Voice/Data Traffic” has been approved at a total cost of Rs 3,676.185 million. An allocation of Rs 10.000 million for FY 2011-12 was only made, out of which Rs 7.300 (M) released, therefore funds to not to utilized due to insufficient allocations and releases. Rs 20.411million were accordingly surrendered by Ministry of Information Technology vide letter no U.O. No.7 (12)/2009-AC(P) dated 26th June, 2012.

The reply was not acceptable because question was not regarding less allocation, audit pointed out non-surrender of the savings to the Federal Government. However, matter be got verified in the light of MoIT letter dated 26th June, 2012 to proceed further in the matter.

No progress was intimated till the finalization of this report.

6.16 Un-authorized retention of revenue and non-surrender to FCF - Rs 286.632 million

According to Para 7 of GFR Vol-I unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed/retained from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance. Para 26 ibid stipulates that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. Para 30 further stipulates that heads of departments in charge of important sources of revenue should keep the Ministry of

Finance fully informed of the progress of collection of revenue under their control and of all important variations in such collections.

During comprehensive audit Ops branch was requested regarding provision of file of retention of revenue but the same was not provided despite written and verbal requests. However, review of revenue realized statement it was observed that out of total revenue earned by SCO, an amount of Rs 286,632,466 was not transferred to Federal Consolidated Fund and retained in the bank without permission of the Finance Division being custodian of the Federal Consolidated Fund. Detail is as under:

S.No.	Description	Amount (Rs)
1	Net Revenue of SCO for 2011-12	1,210,247,079
2	Less: Net Revenue of (AOTRs) & transferred to FCF	878,297,544
3	Less: Revenue Transferred out of Direct Receipt	45,317,069
	Balance retained in the banks	286,632,466
<i>Bifurcation of Revenue not transferred to FCF</i>		
4	<i>Revenue retained as per MoIT instructions</i>	270,000,000
5	<i>Balance at Bank (Not transferred to FCF)</i>	16,632,466

It was replied in January 2013 that an amount of Rs 270.00 million was retained as per instructions of Government of Pakistan Ministry of Information Technology (IT & Telecom Division) letter NoF.14-1/2012-DT dated 22nd May, 2012. SCO being functioning under the control of MoIT it is obligatory to act on the instructions of the administrative Ministry. An amount of Rs 16,632,466 was retained at bank to discharge the pending liabilities to other domestic / foreign operators and Regulatory fee to PTA, payable in September every year hence, the same amount was retained. However, this amount is being transferred to FCF now, on receipt of instructions from AGPR on adoption of banking mode by SCO as directed by the MoIT & Audit.

The reply was not acceptable because the permission of the

Ministry of Finance (Custodian of FCF) was not obtained for retention of revenue. Rules were not permitted to retain any revenue relates to the Federal Consolidated Fund, therefore, the retention of revenue by SCO stands un-authorized. However, the matter be got verified after transferring the amount to FCF.

It is recommended that revenue may be deposited to Federal Consolidated Fund (FCF) besides fixing of responsibility to those who at faults.

No progress was intimated till the finalization of this report.

6.17 **Difference in two sets of figures - Rs 3.708 million**

According to Para 8 of GFR Vol-I subject to such general or specific instructions as may be issued by Government in this behalf, it is the duty of the Revenue department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. Note 3 below Para 28 ibid further states that in order to minimize the difference between the treasury figures and the departmental figures, it is essential the challan with which money is remitted to the treasury should bear full and correct accounts classification.

During examination and comparison of Revenue Statement and Bank Balance as per list of bank accounts a difference of Rs 3,708,200 was found in between both the statements. This difference in two sets of figures resulted into non reconciliation of the dues as required in the above rules. This also resulted into less realization to the Federal Consolidated Fund. Detail is as under:

S.No.	Description	Amount (Rs)
01	Bank balance as per List of Bank Account (11280-6)	290,340,666
02	Amount retained as per MoIT instructions	270,000,000
	Balance	20,340,666

03	Balance shown at Bank as per Revenue Statement of Ops branch	16,632,466
	Difference	3,708,200

It was replied in January 2013 that this cheque of Rs 3,708,200 was received in Ops Branch on 29th June, 2012 and on the same date it was forwarded to Accounts Branch. However, 30th June, 2012 being (Saturday), 1st July 2012 (Sunday) and 2nd July, 2012 (Bank Holiday), said cheque was credited in SCO Account in July 2012 hence there was no difference in the accounts.

The reply was not acceptable as if the cheque was received on 29th June it can be deposited on the same date without any delay. Furthermore, there was no Holiday in the banks on 30th June being closing of financial year. However, audit requires that detail of receipt of cheque, its depositing in July 2012 and bank statements may be provided to verify the facts.

No progress was intimated till the finalization of this report.

6.18 Weak Internal Controls resulting into un-necessary burden of penalty - Rs 5.657 million

According to Para 105 of GFR Vol-I it is an important financial principle that money indisputably payable should not, as far as possible, be left unpaid, and that money paid should under no circumstances be kept out of accounts a day longer that is absolutely necessary even though the payment is not covered by proper sanction. It is no economy to postpone inevitable payments and it is very important to ascertain, provide for in the budget estimates, liquidated and record the payment of all actual obligations at the earliest possible date. Para 89 (6) *ibid* further states that the head of the department and his controlling officers must further take steps to maintain a careful watch over expenditure incurred from time to time on important non-recurring objects such as grants and contributions.

The review of the SCO license conditions and PTA functions & power regulations, 2006 it was found that SCO (the licensee) was bound to pay Annual License Fee and Royalty within the due dates as specified in the license conditions. The due dates of such payment for SCO were 30th October each year. During scrutiny of file No.1241/SCO/Ops/PTA/License it was observed that SCO management did not pay Annual License Fee and Royalty for the year 2004-2006 to PTA on due dates in violation of the license conditions due to an oversight. Due to this oversight SCO had paid an amount of Rs 5,657,211 on account of late payment charges @ 2% to PTA during FY 2011-12. This showed weak internal controls in the organization and un-necessary burden on the department.

It was further observed that a final reconciliation between Manager Revenue (SCO) and PTA was carried out in March 2011 in which an amount of Rs 8,806,432 was agreed as payable (Principal amount Rs 3,285,511 + Late Payment Charges Rs 5,520,922). But the payment was again delayed after reconciliation which resulted in to excess payment of Rs 136,289 (5,657,211 – 5,520,922) on account of late payment charges.

It was replied in January 2013 that the delay was due to an oversight. However, it was clarified that PTA had granted 50% concession/moratorium on SCO license fee till 30th June, 2005 vide letter No.PTA/M(T)-068(SCO) dated 3rd April, 2000. However, SCO had released the payment according to moratorium concession instead of full amount for the year 2005-2006. From 2006-2007 onward all the payments are being released in time and currently no dispute is pending. Further, the payments released by the SCO were not being adjusted properly finally a meeting at SCO HQ level, duly attended by the DG(Finance) PTA and Director (Finance), was conducted on 10th February, 2011. A request to MOIT vide this office letter No.1304/SCO/Ops/PTA /License dated 28th April, 2011 was issued for

grant of waiver against late additional fee @ 2% per month but the request of the SCO was not honored.

As the SCO had already taken up the case, for waiver of amount, with MoIT, therefore, the PTA's late payment fee i.e. Rs 5,520,922 was not released and on receipt of PTA's letter dated 8th July, 2011 the amount was accumulated to Rs 5,657,211 which was forwarded to CMA FWO for release of payment.

The reply was not acceptable as the penalty was accumulated due to oversight by SCO for which responsibility needs to be fixed to those who at fault. Furthermore, at the time of reconciliation the cut date of late payment charges should be decided to avoid further late payment charges which was not done and resulted into further payment. This all showed weak internal controls in the organization.

It is recommended matter may be investigated with a view to fix responsibility to those who at fault.

No progress was intimated till the finalization of this report.

6.19 Undue favor to M/s Warid resulted into non realization of revenue - Rs 16.156 million

According to Para 2.6 & 2.7 of schedule 4- leasing of Domestic Private Leased Circuits (DPLC) contained in the SCO Reference Interconnect Offer Agreement (RIO), DPLC will be acquired for minimum period of one (1) year, for which the operator shall pay one year rental in advance to advance to SCO. The advance rent shall be paid to SCO as soon as possible after the expiry of the first year, but not later than 15 days of such expiry, failing which SCO has a right to suspend the service in accordance with this interconnection agreement.

During review of files regarding issuance of demand notes to M/s Warid on account of DPLC & Co-Location charges it was

perceived that an amount of Rs 16,156,471 was receivable from the operator. Contrary to the above, SCO management issued demand notes containing half yearly charges instead of full amount of one year in advance by giving undue favor to the operator which resulted into non/less realization of Government revenue. The half yearly demand notes were issued without approval of the Authority which approved the RIO's. Detail is as under:

S. No	Demand Note No & Date	Route/Description	Amount (Rs)
DPLC Charges			
01	SCO/Ops/Warid/03/2011 dt: 02.11.2011	Rawalpindi to Chilas	2,441,880
02	SCO/Ops/Warid/04/2011 dt: 28.02.2012	Rawalpindi to Gilgit	5,733,706
03	SCO/Ops/Warid/05/2011 dt: 02.11.2011	Rawalpindi to Karimabad-2	3,344,662
04	SCO/Ops/Warid/06/2011 dt: 02.11.2011	Rawalpindi to Shigar	4,131,641
05	SCO/Ops/Warid/07/2011 dt: 02.11.2011	Rawalpindi to Skardu	7,045,338
TOTAL			22,697,227
Co-Location Charges			
06	SCO/Ops/Warid/03-A/2011 dt: 02.11.2011	Chilas	517,912
07	SCO/Ops/Warid/04-A/2011 dt: 02.11.2011	Gilgit (Danyore)	528,184
08	SCO/Ops/Warid/05-A/2011 dt: 02.11.2011	Karimabad-2	528,184
09	SCO/Ops/Warid/06-A/2011 dt: 02.11.2011	Shigar	528,184
10	SCO/Ops/Warid/07-A/2011 dt: 02.11.2011	Skardu	517,912
TOTAL			2,620,376
Grand Total			25,317,603
Half Yearly Amount Received			9,161,132
Balance receivable			16,156,471

It was replied in January 2013 that no undue favour was extended to the operator and no financial loss to Government except deviation from SCO RIO. The procedural deviation was made on the following reasons:

- (1) Government of Pakistan assigns Revenue targets to all its subordinates' offices and similarly revenue targets are also assigned to SCO. Achievement of targets, as assigned by the Government is obligatory.

- (2) SCO, being major service provider in AJ&K / GB areas, having a vast infrastructure and spread over network through OFC and Microwave was providing media on lease to other operators as per demand. Sale of leased media and co-location to other operators was playing major role in generation of SCO revenue as through this SCO in other words earn million of rupees annually which ultimate support the Pakistan's economy.
- (3) M/s Warid, at the time of forwarding the request for leased media, had requested SCO for charging of rental on half yearly basis instead of full year advance and being telecom business partner SCO had accepted the request as there was no financial loss except procedural deviation. This deviation is in favour of SCO as lease of media in this way is far better than non-provisioning of media and keep the same as spare / idle capacity.

The reply itself speaks that violation of the RIO was committed by the SCO. The justification given in reply that it was better to lease the media instead of keep it idle was not acceptable because the media was provided for the area where the SCO network are lying and the operator had to take the media from SCO. Further, any deviation/change in the RIO is required to be informed to PTA within 7 days as per Rule 7 of Telecom Rules 2000 which was not done. This all clearly showed that an undue favour was given. The delay receipt of revenue is a loss to the government. Furthermore, no reply regarding less realization was given by the SCO.

Audit requires that Receivable Ledger, Bank Statement, Receipt of Cheque, its depositing and clearance be provided to proceed further in the matter.

No progress was intimated till the finalization of this report.

6.20 Non imposition/recovery of late payment charges on account of DPLC Charges - Rs 5.038 million

According to Para 13.1 of schedule 7 contained in the SCO Reference Interconnect Offer Agreement (RIO), each party shall be liable to make payment of late payment charges to the other party or in the Escrow account, as the case may be, @ KIBOR plus 5% per annum for payment made after the due date for the period of delay.

Test check of demand notes issued on account of Domestic Private Leased Circuits (DPLC) revealed that an amount of Rs 5,038,417 on account of late payment charges was not imposed/recovered from the operators in violation of the above provisions. Non-imposition of late payment charges indicates an undue favor to the operators by the SCO management which resulted into not only delay recovery of Government revenue but also a loss on account of non-recovery of late payment charges.

It was initially replied that schedule 7 relates to General Billing and settlement procedure in respect of charges for service provided by the SCO under Inter Connect Agreement and accordingly para 13.1 of this schedule relevant to other services provided by the SCO & does not applicable for DPLC. As per SCO RIO all payment in respect of DPLC are received in advance vide clause 2.6 of schedule 4. It was further replied in January 2013 that any payment made by operator in advance cannot be termed as late payment hence no additional surcharge was imposed on operator making advance payment.

The reply was not acceptable because the clauses regarding late payment charges mentioned in the RIO were very clear. Non imposition/recovery of penalty was a clear violation of the RIO and favour to the operator.

It is recommended that matter may be investigated with a view to fix the responsibility besides recovery of penalty from the operator.

No progress was intimated till the finalization of this report.

6.21 Less realization on account of VIM charges from M/s Ufone - Rs 5.081 million

According to Para 19 (i) & (x) of GFR Vol I the terms of a contract must be precise & definite and there must be no room for ambiguity or misconstruction thereon. Provision must be made in contracts for safeguarding Government property entrusted to a contractor. Para 30 ibid further stipulates that no amount due to Government should be left outstanding without sufficient reasons, and where any dues appear to be irrecoverable the orders of the competent authority must be sought.

The Schedule – 1 of RIO is silent about the billing & payment of VIM which was against the above provisions. Scrutiny of file relating to recovery of Virtual Interconnection Media (VIM) charges from M/s Ufone revealed that an amount of Rs 6,774,400 (50% share of total cost per annum) was recoverable for the year 2011-12. SCO management calculated the amount on annual basis but claimed on quarterly basis in the same demand note. This was against the SCO own practice as in the same case for the year 2010-2011 the payment was claimed and received on yearly basis. The permission of quarterly payment to the operator granted by the SCO was not approved by the Authority which approved the RIO's. The quarterly claim resulted into less realization of Rs 5,080,800. Detail is as under:

01	50% share of total cost/annum (Ufone share) as per demand note	6,774,400
02	Less: Ufone share per quarter (Amount received)	1,693,600
Amount less realized		5,080,800

It was initially replied that the media EIs, as required by the operators to route and terminate their traffic at SCO's Point of Interconnect (POIs), are provided to operator. In this case there was no binding to charge the amount on monthly, Quarterly or Annually basis however; it was based on the mutual understanding between two operators. Furthermore, the reasons of calculating the amount on yearly basis were only that the rates / Km were for annual basis. Besides, it was also to mention that no financial loss involved in this case. It was further replied in in January 2013 that VIM (Virtual Interconnect Media) is being changed as per RIO 2.6 of schedule-4 i.e in advance. As it is not mentioned in RIO whether the advance be charge on yearly or quarterly basis, hence the payment was charged on quarterly basis.

The reply was not acceptable as the clauses of the interconnect agreement (RIO) was not clearly mentioned as required in the General Financial Rules. Further, permission of quarterly payment to the operator granted by the SCO was SCO's own practice and not approved by the Authority which approved the RIO's. The delay receipt of revenue was a loss to the government.

Audit requires that Receivable Ledger, Bank Statement, Receipt of Cheque, its depositing and clearance be provided to proceed further in the matter.

No progress was intimated till the finalization of this report.

6.22 Unauthorized deduction of 6% Tax by the operators - Rs 12.749 million

According to Section 49 (1) (3) of Income Tax Ordinance 2001 the income of the Federal Government shall be exempt from tax under this Ordinance. Any payment received by the Federal Government, a

Provincial Government or a Local Government shall not be liable to any collection or deduction of advance tax.

Test check of files of demand notes on provision of various services to the telecom operators revealed that an amount of Rs 12,748,946 were deducted by the operators as 6% advance tax on various invoices/demand notes issued by the SCO management during 2011-12. The deduction of 6% advance tax was in contravention of the above provisions but SCO management continuously allowed the operators for such deduction.

It was replied in January 2013 that deduction on account of 6% withholding Tax was covered as per Government of Pakistan Income Tax Ordinance 2001 Rule 153(1) (b). CMA (FWO) was also being deducted 6% WHT on payments paid to PTA, hence, may not be termed as un-authorized.

The reply was not acceptable because the clause of Income Ordinance 2001 referred in reply was only about the rate of charging of income tax. Audit pointed out exemption of the Federal Government from Income Tax as per Income Tax Ordinance 2001.

It is recommended that case may be taken up at appropriate level for conclusion.

No progress was intimated till the finalization of this report.

6.23 Irregular expenditure on printing without tendering - Rs 1.720 million

According to Para 58 of FBA&A procedure of SCO and Rule 12 of PPRs 2004 procurement over Rs 100,000 and up to the limit of two million shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time.

During examination of paid vouchers & contract agreement concluded between SCO & Pakistan Post Foundation dated 15th September, 2011 it was observed that an amount of Rs 1,720,440 was incurred on printing of bills during FY 2011-12. The expenditure was treated as irregular being in contravention to the above provision. It is further added that original file with minute sheet and other related document was requested from the concerned branch but the same was not provided. Detail of expenditure is as under:

S. No.	Sanction No & Date	Description	Amount (Rs)
01	1301/9/SCO/Acc dt: 17.05.12	Data Printing 126395 pages & delivery of bills 71990	282,355
02	1801/9/SCO/Acc dt: 05.04.12	Data Printing 124182 pages & delivery of bills 70432	277,353
03	1801/9 SCO Acc dt: 05.03.12	Data Printing & delivery of bills	1,160,732
TOTAL			1,720,440

It was replied in January 2013 contract for bill printing was given to Pakistan Post Foundation (PPF) with the understanding that it is a subsidiary to PPO which is a government department and after getting the NOC from Printing Corporation of Pakistan.

The reply was not acceptable as Pakistan Post Foundation was not a Government Department. After obtaining NOC from PCP the printing from private press was necessary through open tendering. Furthermore, there was no question of transferring of amount from one department to another department but incurrence of expenditure without tendering in violation of the PPRs

It is recommended that expenditure be got regularized from competent forum.

No progress was intimated till the finalization of this report.

6.24 Irregular approval of PC-I & expenditure against project No III/2008-09 - Rs 26.723 million

According to minutes of 68th SCO Project Management Board (PMB) meeting dated 12th February, 2010 the FA Army raised an observation on routing of PC-I for further submission to MoIT through FA Army for scrutiny before forwarding to competent authorities. Further, the Chairman PMB directed to dovetail FA (Army) representative in financial bids opening offers of SCO development projects.

Scrutiny of the copies of PC-I.& detail of project revealed that PC-I amounting to Rs 459 million regarding laying of Optical Fiber Cable (Project No.III/2008-09) was routed through FA Army as required in agenda point No 1 of 68th PMB meeting which states that PC-I should be routed through FA Army for further approval hence, stands irregular.

It was further observed that tenders regarding laying of Optical Fiber Cable Authmaqam to Dudnial and procurement of stores were published in the daily Times Islamabad dated 11th March, 2012 with opening date of 23rd April, 2012 and daily News Islamabad dated 8th October, 2011 with opening dated of 31st October, 2011 respectively. The opening of the second tender was further extended upto 14th November, 2011. At the time of opening of financial bids the FA (Army) was not invited in both tenders in violation of the instructions of the PMB as referred above, therefore, expenditure amounting to Rs 26,723,476 stands irregular. Detail of expenditure is given below:

S. No	Contract No	Description	Name of contractor M/s	Amount (Rs)
01	Not available in the record	Laying of OFC to Authmaqam Dudnial	HMT International	18,504,000

02	1887/Dev/Signal/ 11-12/OS dt: 07.02.2012	UG Cable & OFC 24-Fibers (12 Pairs)	Premier Cables Pvt Ltd	4,391,440
03	1887/Dev/Signal/ 11-12/OS/A dt: 07.02.2012	OFC 12 Fiber (6 Pairs)	AK Enterprises	3,495,000
04	1887/Dev/Signal/ 11-12/OS/B dt: 07.02.2012	PHD Link	AYK Pvt Ltd	333,036
TOTAL				26,723,476

It was replied in January 2013 that PC-I for Laying of OFC to Connect Remote Locations of AJ&K and NAs had already been routed through FA (Army) vide letter No. 2111/SCO/Dev/PC-I dated 19th February, 2010 and had accorded approval for submission of PC-I to MoIT.

The reply was not acceptable because the letter as referred in reply did not show that the subject PC-I was routed through FA (Army). Furthermore, no reply was given with reference to participation of the FA (Army) at the time of opening of Financial Bids.

It is recommended that expenditure be got regularized besides fixing of responsibility for violation of the instructions of the PMB.

No progress was intimated till the finalization of this report.

6.25 **Irregular charging of expenditure on account of pay & allowances - Rs 8.226 million**

According to Rule 9 of GFR Vol I, no authority may incur expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the president or by an authority to which power has been duly delegated in this behalf. Para 10 (iv) of GFR vol-I states

that public moneys should not be utilized for the benefit of a particular person or section of the community unless the amount of expenditure involved is insignificant or a claim for the amount could be enforced in a court of law or the expenditure is in pursuance of a recognized policy or custom. Para 11 further stipulates that each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During comprehensive audit for the year 2011-12 pay bills of CMA (FWO) staff were requested. The pay bills regarding payment of pay & allowances to the staff of CMA (FWO) from SCO budget for the month of January 2012 to June 2012 only was provided. From the perusal of record, it was observed that an amount of Rs 8,226,164 was incurred on the payment of pay & allowances to staff of CMA (FWO) during 2011-12. The charging of expenditure to SCO budget estimates was considered irregular because the employees were not born on the sanctioned strength of SCO.

Scrutiny of pay bills further revealed that two officials drawing pay from SCO pay rolls but permanently working in CMA (FWO). However, FBA&A procedure of SCO is silent regarding appointment of staff on TO&E in CMA (FWO) and there was no standing instructions or policy of the GHQ for this purpose. Hence, the posting of the individuals in CMA (FWO) and incurrence of expenditure on pay & allowances of Rs 359,592 without any orders of the competent authority stands irregular. Detail is as under.

S. No.	Month	Name & Designation	Amount (Rs)
01	July 2011 to June 2012	27 employees	7,866,572
02	July 2011 to June 2012	LDC (B-7) (AN Section) 15,887x12=	190,644

03	July 2011 to June 2012	NQ (B-2)	14,079x12--	168.948
			TOTAL	8,226,164

It was replied in January 2013 that the case had been discussed in detail in the meeting of IDC formed by DAC in its meeting held on 24th December, 2009. Further the case was referred to CGA who decided vide letter No. CGA/PAC/05-07/2010/124 dated 22nd February, 2012 that status quo be maintained. The manager HR informed regarding permanent posting of the SCO officials in the CMA (FWO) that the same was deputed with CMA (FWO) Chaklala to deal with the cases pertaining to SCO.

The reply was not acceptable because the CGA letter as referred in the reply did not indicate regarding payment of pay & allowances to the staff of CMA (FWO) from SCO budget. Furthermore, the rules are not permitted for such expenditure and posting of the officials.

It is recommended that such practice may be stopped and expenditure be got regularized from competent forum.

No progress was intimated till the finalization of this report.

6.26 **Unjustified payment against un-utilized NSPCs - Rs 5.366 million**

According to Para 18 of Mobile Number Portability Regulations, 2005 the operator is liable to pay annual numbering charges by 31st July each year. The payment of Annual Numbering Fee for number allocation shall be made in advance at the time of application. In case of delay, the licensee shall be liable to pay a penalty @ 10% per month on the amounts outstanding if the dues are not paid by 31st July each year. Moreover, PTA HQ letter No. 6-3/02/Engg/PTA/SCO dated 12th August, 2005 states that allocations of National Signalling Point Codes (NSPCs) stands withdrawn if not

utilized within period of one year from the date of allotment. Furthermore, Para 14 (3) of the powers and functions of the Auditor General of Pakistan states that “any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person”.

During comprehensive audit for the FY 2011-12 certain auditable records on account of payment of numbering charges were requested but the same was not provided despite written and verbal requests. However, review of case reference No.1241/SCO/Ops/PC-I dated 24th June, 2011 revealed that SCO had utilized only 10 x NSPCs since its allocation from August 2005 to September 2007 against the total allocation of 114 x NSPCs but the payment amounting to Rs 5,365,742 for the total 114 x NSPCs was made during FY 2011-12.

Audit has following further observations:

- (i) According to numbering allocation regulations issued by the PTA the payment on account of numbering charges required to be deposited in advance then why the same was not paid at the time of allocation to avoid the penalty/late payment charges.
- (ii) According to SCO letter the requirement of the SCO was only 10 x NSPCs then why the request for allocation of 114 x NSPCs was made to PTA.

It was replied initially and in January 2013 that record relating to acquiring of 114 x NSPCs was provided to Audit team on receipt of requisition and nothing has been hidid, hence no violation of Para 14(3) of the power of Auditor General of Pakistan was made. The payment was made to PTA which was also Government entity hence, there was no need to hide the documents. During the period 2005-2007 SCO was making efforts in expending its networking infrastructure at

different sites in AJ&K and GB and applied for allocation of NSPCs at different period. However, during year 2010 case for surrender of 104 x NSPC was issued to PTA as most of development projects were either not approved or approved partially.

As per Para (v) of PTA allocations letters, it was clearly mentioned that the NSPCs shall stand withdrawn if not utilized within a period of one year from the date of allocation. Moreover, in PTA allocation letters nothing was mentioned about advance payments nor any thing was mentioned about payment in case NSPCs were used or not. The case was discussed, at length with PTA and another letter dated 8.3.2011 was issued to PTA to settle the pending issue. PTA, in response to our letter cancelled the allocation of 104 x NSPCs vide letter No 6-08/04/N&TA dated 10th May 2011 and in response to this office letter No 1241/SCO/Ops/PC-1 dated 8th March, 2011. PTA issued initial invoice, of Rs 4,860,092.00. In this regard it was pertinent to mention here that prior to 10th May, 2011 SCO had never received any claim of NSPC from PTA. In the light of PTA letters dated 10th May, 2011 and 21st July, 2011 SCO was bound to release the payment (Rs 5,365,742 (upto 2011-12), with penalty to PTA, hence the payment was released to PTA.

The reply was not acceptable because the following record was not provided despite written, verbal and request made during discussion for which responsibility needs to be fixed.

1. Request of the SCO regarding allocation of 114 NSPCs
2. Request of the SCO regarding surrender of 104 NSPCs dated 22nd March, 2010
3. PTA letter No.6-3/02/Engg/PTA/SCO dated 12th August, 2005 as referred in SCO correspondence
4. Actual requirement of NSPCs at that time and presently
5. Complete original file with minutes sheet

The reply itself speaks that according to the letters issued by PTA, the unutilized portion of NSPCs shall stand withdrawn then why the payment was made for the unutilized portion. The numbering allocation regulations clearly mentioned for advance payment and if PTA did not raised any invoice or written any reminder to SCO then on what grounds the penalty/late payment charges were paid to PTA. This showed weak internal control in the SCO organization that one department did not raise any invoice till 10th May, 2011 and payment was made by SCO including late payment charges. This also showed that discussion was not made by well versed representative of SCO due to which the payment for unutilized NSPCs including late payment charges was made.

It is recommended that responsibility for non-production of record be fixed besides provision of all relevant record. Furthermore, the case may again be taken up at appropriate level for refund of the amount paid for unutilized NSPCs and penalty.

No progress was intimated till the finalization of this report.

6.27 Irregular expenditure on local purchase of store for building works - Rs 4.447 million

According to Rule 12 (1) of PPRs 2004 read with Para 58 of FBA&A procedure of SCO procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. Rule, 28 (2) ibid further states that all bids shall be opened publicly in the presence of the bidders or their representatives. All bidders in attendance shall sign an attendance sheet. Para 81 (f) (2) of SCO FBA&A further stipulates that contractor will be responsible for presenting his final bill within 15 days of the completion of the work. The final bill will be submitted to Controller Military Accounts (FWO) for scrutiny and payment duly completed and supported with measurement.

Review of financial sanctions issued by SCO Headquarter revealed that an amount of Rs 4,447,246 was incurred on repair & maintenance of buildings and purchase of building material during FY 2011-12. Detail is as under:

S. No	PDP No.	Financial Sanction No. & date	Name of Office	Amount (Rs)
01	390-13	1581/DG Sanction/SCO/E dt: 19 th August, 2011	61-CSB MZD	1,266,250
02	393-13	1581/DG Sanction/SCO/E/1 dt: 19 th August, 2011	63-CSB Gilgit	2,465,300
		1582/DG Sanction/SCO/E dt: 12 th March, 2012	63-CSB Gilgit	715,696
TOTAL				4,447,246

Following observations were made:

- (a) It was observed that expenditure incurred by 61 CSB Muzaffarabad was without open tenders due to which SCO deprived from competitive rates. List of participated firms and attendance sheet duly signed by the contractors at the time of opening of financial bids were not available anywhere in the record.
- (b) As regard to incurrence of expenditure by 63-CSB Gilgit it was noticed that a copy of the advertisements were placed in file but the date of advertisement and newspaper was not known. On discussion with the representative of Q branch it was told that the advertisement was made in K2 newspaper but original newspaper was not provided to verify the facts.
- (c) Despite advertisement in the newspaper a letter for calling of quotations were issued on 7th March, 2011 and 24th February, 2012 which clearly proved that the advertisement was not actually made. Further, the works executed was not advertised on the PPRA website and list of participated firms and

attendance sheet duly signed by the contractors or their representatives at the time of opening of financial bids were not available anywhere in the record in violation of the above rules.

- (d) Measurement books was not maintained in all cases as required in the FBA&A procedure, hence, the claim of the contractors could not be verified.
- (e) The sanction was issued for local purchase of store whereas the claim/bill is for construction work at various sites without any detail of work. No store register showing receipt of store was provided to audit which is treated as not maintained.
- (f) Income tax requires to be deducted @ Rs 3.5% being sanction/quotation/contingent bill is for local purchase of store whereas the same was deducted as 6% which was irregular.

It was replied in January 2013 by 6I-CSB, Muzaffarbad that unit had already been completed the tendering formalities for financial year 2011/2012 in the light of Para 49 a to J of FBA&A procedure. List of participated contractors duly countersigned by the officer are attached. Measurement book for construction of minor/repair work was not required hence, not prepared. The 63-CSB, Gilgit was replied that tender inquiry for both the projects/works i.e local purchase of store for construction works and local purchase of stores for raising of boundary wall were advertise in local newspaper dated 3rd March, 2011 and 28th January, 2012 respectively. Moreover, due to remote location of detachments under construction, it was neither possible nor feasible to visit the site. Hence, measurement books could not be maintained.

The replies were not acceptable being not in line with Audit observations. The expenditure was incurred without inviting open tenders on PPRA website as well as in the newspaper. Further, the

measurement books was essential for civil work which was not maintained, hence, the expenditure incurred on the work could not be verified. It is not correct to say that due to remote area the site cannot be visited. Its mean that all was left over on the contractor.

It is recommended that matter be investigated for facts finding.

No progress was intimated till the finalization of this report.

6.28 **Loss due to non-achievement of Network Target of 1,899 connections - Rs 1.877 million**

Sector Headquarter SCO vide its letter No. 901/OPS/R/41 dated 06.09.2011 has fixed network expansion target for 61-Composite Signal Battalion Muzaffarabad for the year 2011-12.

Scrutiny of record relating to Network Target of PSTN, GSM & DXX of 61-Composite Signal Battalion Muzaffarabad, revealed that the network target in different categories was fixed by the competent authority but the same was not achieved which caused shortfall of 1899 connections resulting into a loss of Rs 1,877,000 to the department. It was further observed that there was a decreasing trend in the revenue achievement day by day. This situation required immediate attention of the higher authorities. The detail is given below:-

S. No	Name of Service	Target	Achieved New connections	Shortfall	Amount
01.	PSTN	3120 @ Rs1000 (Security Deposit)	1243	1877 X 1000	1,877,000
02.	DXX	24	2	22	-
Total:					1,877,000

It was replied in January 2013 that during financial year 2011-12, 2337 x NTCs were provided to the applicants instead of 1243

x NTCs. Use of mobile / wireless was on the increase as compared to PSTN, therefore, target could not be achieved. However, following packages have been introduced to increase the PSTN subscriber's base:

- Kashmir Package
- Sunday Package
- Daily Package
- Friend and Family Package

Head offices of all banks working in AJ&K are situated in Rawalpindi / Islamabad and Karachi. These banks are obtaining DXX services at HQ level, thus DXX network expansion is not as per assigned targets. However, banks are continuously being approached for obtaining DXX circuit.

The reply was not acceptable as 1094 telephone connection were restored after disconnections and only 1243 new telephone connections were installed. Similarly in case of DXX connections, if provided at headquarter level, then why a rationale target was not assigned to the companies. Audit required that the progress of the increase of incentives may be produced with documents for evaluation of achievements of the department to meet the targets given by the higher authority. The responsibility be fixed against the persons at fault under intimation to audit.

No progress was intimated till the finalization of this report.

CHAPTER-7

TELEPHONE INDUSTRIES OF PAKISTAN (PVT) LTD

TELEPHONE INDUSTRIES OF PAKISTAN (PVT) LTD

7.1 Introduction

Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 in collaboration with M/s Siemens under the Companies Act 1913 (Now the Companies Ordinance 1984). TIP is working under the control of Ministry of Information Technology & Telecom Division (MoIT&T). At present MoIT has submitted re-vitalization plan of TIP to ECC which will also include bailout plan to settle liabilities of TIP. Government of Pakistan owns the entire shareholding of the company through MoIT.

The company is engaged in manufacturing and sale of telephone sets, telephone exchanges and allied equipment, energy meters etc and also provides services for installation and commissioning of telephone exchanges to telecom operators.

7.2 COMMENTS ON BUDGET AND ACCOUNTS

7.2.1 A comparison of the operating results of industry for the year 2011-12 with previous year is as under:

(Rs in Million)

Particulars	2011-12	%age (Incr/Dec)	2010-11
Sales	69.659	(10.200)	77.571
Cost of Goods Sold	458.613	92.745	237.938
Administrative Exp	416.592	56.456	266.267
Other Receivables	103.072	99.601	51.639
Long Term Investment	1318.570	6.187	1241.740

7.2.2 Telephone Industries of Pakistan was not fully operational as is evident from the sales that decreased almost (10%) from 2010-11 which reflects that appropriate measures had not taken to promote the sales of the company. This situation demands special attention of the top management.

7.2.3 The cost of goods sold was 658% of sales in 2011-12 whereas in 2010-11 the cost of goods sold was 289% of the sales which reflects weak cost controls. This high cost of production was also one of the major reasons of declining the sale.

7.2.4 Administrative expenses increased 56.456% from last year despite consistent decline in the sales of the company which shows under-utilization of the manpower available or over staffing in the organization.

7.2.5 The receivables of the company also increased by 99.601% from previous year. The management should take necessary steps for the recovery of the receivables to make it a financially viable entity.

7.2.6 The Telephone Industries of Pakistan earned 102.343 million profit in 2010-11 and attained loss of 291.525 million in 2011-12 but company investment is increased 6.187% as compared to previous year which shows that at one hand they had a loss of 291 (M) but on the other hand TIP enhanced it investment which requires justification.

7.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

Ministry of Information Technology TIP

S.No	Audit Year	Total Paras	Total Directives	Compliance received	Compliance not received	%age
01	1990-91	18	18	13	05	72
02	1992-93	19	19	19	00	100
03	1996-97	09	05	02	03	40
04	1997-98	04	04	04	00	100

AUDIT PARAS

7.4 Line losses on account of Electricity and Sui Gas-Rs 19.941 million

According to Rule 8 of GFR Vol-I, it is the duty of the Revenue or Administrative officer concerned to see that the dues of government are correctly and promptly assessed, collected and paid into the treasury. Furthermore, as per rule 23 ibid, every officer should realize fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part. He will also be held personally responsible for any loss arising from fraud or negligence on the part of any other officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

It was observed that the bulk meters of Electricity and Sui Gas were installed at T&T Colony Haripur since the inception of Telephone Industries of Pakistan and T&T Colony. The Electricity and Sui-Gas were supplied to the residents of the Colony and subsidiaries of Colony Board from that bulk meters on commercial rates and Domestic rates respectively. During examination of record relating to payment made to WAPDA and SNGPL and bills collected from the consumers, it was found that TIP sustained a loss amounting to Rs 19,941,263 during 2011-12.

It was replied in January 2013 that the gas losses have been reduced from 53% to 40% within few years. In respect of losses of electricity, hectic efforts are being continuously made to minimize the losses and resultantly the losses have been reduced from 30% to 12% within few years. It is necessary to mention here that amount of electricity and Sui-Gas losses for the year 2011-12 were Rs 16.299 million instead of Rs 19.941 million.

Audit requires that the reasons for losses may be ascertained and responsibility for losses may be fixed.

No progress was intimated till finalization of this report.

7.5 Non-recovery from NTC and other organizations - Rs 87.757 million (41.702 million 2011-12)

As per Rule 26 of GFR Vol-I, it is the duty of controlling officers to see that all the sums due to Govt. are regularly & promptly assessed, realized & duly credited in Public Account. Rule 28 of GFR Vol-I further stipulates that "No amount due to Government should be left outstanding without sufficient reason".

It was observed that an amount of Rs 87,756,746 was outstanding on account of provision of various services to NTC and other organizations up to 30.06.2012. TIP management failed to recover the said amount even after the closure of the financial year 2011-12. Detail is as under:

S. No	Name	Description	Opening balance	Invoices during the year	Total	Amount received	Balance (Rs)
01	NTC	A/c No.1-24237	36,227,852	2,099,600	38,327,452	7,774,946	30,552,506
02	- do -	A/c No.1-24236-5304	3,520,931	1,244,628	4,765,559	1,105,104	3,660,455
03	ECP	A/c No.1-24236-5310	--	35,310,000	35,310,000	--	35,310,000
04	AWC	A/c No.1-24236-5302	3,827,505	1,337,016	5,164,521	916,961	4,247,560
05	POD	A/c No.1-24236-5303	14,839,630	1,710,848	16,550,478	2,564,253	13,986,225
TOTAL			58,415,918	41,702,092	100,118,010	12,361,264	87,756,746

It was replied in January 2013 that an amount of Rs 37,979,091 (Rs 2,669,097 from NTC and Rs 35,310,000 from Election Commission) after 30.06.2012, recovered and efforts were being made to recover the balance amount of Rs 49,777,655. Moreover, original invoices of Rs 0.8 million was misplaced by NTC and now duplicate

invoices was under process in NTC. An amount of Rs 20.2 million had been deducted by NTC from various TIP invoices as LD charges and this amount was from 1999 to onward. However, TIP is pursuing hard for realization of outstanding amount.

Audit recommended that recovered amount be got verified from audit besides recovery of the balance amount.

No progress was intimated till finalization of this report.

7.6 Non recovery on account of Colony Board Share - Rs 50.661 million

According to Rule 8 & 26 of GFR Vol-I, it is the duty of controlling officers to see that all the sums due to Govt. are regularly & promptly assessed, realized & duly credited in Public Account. Further, Rule 28 ibid states that "No amount due to Government should be left outstanding without sufficient reason".

Review of Expenditure and Income Statement for the year 2010-2011 revealed that TIP management failed to recover an amount Rs 50,660,577 on account of Colony Board Share & utility bills from National Radio Telecommunication Corporation (NRTC) and Telecomm Staff College (TSC) for the year 2011-2012 as detailed below:

S. No	Name of Entity	Receivable		Received		Balance receivable
		Colony Board Share	Electricity & Sui-Gas Bill	Colony Board Share	Electricity & Sui-Gas Bill	
01	National Radio Telecommunication Corporation (NRTC)	20,837,197	4,951,901	-	4,030,503	21,758,595
02	Telecom Staff College of PTCL (TSC)	28,353,253	1,767,953	-	1,219,224	28,901,982
	TOTAL	49,190,450	6,719,854	-	5,249,727	50,660,577

It was replied January 2013 that TIP had continuously been pursuing the receivables from M/s NRTC and TSC. Invoices were sent to the management of these organizations on quarterly basis for reconciliation and payment thereto. The management of NRTC had paid an amount of Rs 8,136,397 out of Rs 21,758,595 vide cheque No.6800595 dated 04.10.2012 which was credited into accounts.

Audit requires that recovery be got verified from audit besides recovery of balance amount from NRTC. In case of TSC it may be taken up at Ministry level for recovery and progress be provided.

No progress was intimated till finalization of this report.

7.7 Irregular procurement of vehicle - Rs 1.445 million

According to National Economic Council decision conveyed by Cabinet Division vide No. 1/2/2000-Imp-11 dated 28.02.2000 and clarification vide 6-35/2002-M-II dated 01.12.2003, the purchase of new vehicles is banned. The ban is applicable to all Ministries/ Divisions, Autonomous/Semi-autonomous bodies, corporations, NA & FATA.

It was observed that an amount of Rs 1,445,000 was paid to M/s Honda Atlas for purchase of Honda City. The purchase was against the instructions of GoP as there was ban on purchase of new vehicles. Further, TIP business was closed and factory was not operational and had already a fleet of 68 vehicles. In the presence of such a huge quantity of vehicles, there was no justification for purchase of a new vehicle.

It was replied in January 2013 that TIP Board of Director in its 176th Meeting approved Rs 2.5 million as a Capital Budget for a protocol vehicle which was required to be utilized before 30.06.2012.

The TIP Board who was competent to allow purchase of vehicles therefore, Atlas Honda 1300 CC was purchased for Rs 1.445 million.

The reply was not accepted because the approval of the competent authority was required as the funds with the company are GOP funds. Approval of Board was not in line with the instructions of ECC. Audit requires that the approval of the competent forum may be provided.

No progress was intimated till finalization of this report.

7.8 Irregular payment of allowances – Rs 22.475 million

According to Finance Division's O.M. No.F.15(13)-R 14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed that in TIP and Colony Board, allowances were paid which were not approved by the Government of Pakistan in the pay scales. These allowances were not admissible because the salary budget was being provided by the Government of Pakistan; therefore, the admissible allowances of pay scales were to be paid to the employees. An expenditure of Rs 22,474,982 was incurred on payment of other allowances to TIP staff as detailed below.

S. No	Name of allowance	TIP	Colony Board	Islamabad & Lahore	Karachi
A	B	C	d	E	F
01	Special Incentive Allowance	9,313,587 3	5,367,069	1,952,002	1,965,247

02	Special Milk Allowance	267,239	95,214	0	0
03	Factory Pay	2,477,982	--	497,444	539,198
TOTAL		12,058,808	5,462,283	2,449,446	2,504,445
G. Total (c+d+e+f) = 22,474,982					

The payment of other allowances was considered unjustified and overpayment.

It was replied in January 2013 that TIP Board of Director's controls all Financial & Administrative matters of Telephone Industries of Pakistan through TIP Management, in accordance with Articles and Memorandum of Association. The special Incentive Allowances, Special Milk Allowance and Factory pay was allowed under the Memorandum of Settlement with CBA duly approved by the Competent Authority during the years 1989 & 1999. These pay and allowances were in accordance with IRO-1968 & Factories Act 1934 which were duly implemented under the Companies Registered under this act.

The reply was not accepted because the approval of the Board was not applicable presently as the funds are provided by the GOP. Therefore, the allowances are admissible as are allowed to other Government employees. The payment of the allowances over and above the approved allowances may be stopped or approval from the competent forum may be provided.

No progress was intimated till finalization of this report.

7.9 **Irregular transfer of vehicle to Minister IT office**

According to Rule 10 (IV) (3) of GFR Vol I, public moneys should not be utilized for the benefit of a particular person or section of the community unless the expenditure is in pursuance of a recognized policy or custom.

It was observed from the record that vehicle No. IDN-4977 and IDM-8197 was transferred to Minister IT in May 2012. The vehicles were not still returned by the Minister office even after the vacation of office by the Minister. After the transfer of vehicles, an expenditure of Rs 46,258 was incurred on the replacement of tyres of vehicle No. IDN-4977 by the TIP and charged through temporary advance adjusted through bill No.17 of Executive. The transfer of vehicle as well expenditure after the transfer was not covered under any rule.

It was replied in January 2013 that TIP had been parked with MoIT and all financial & administrative matters were being controlled by them. The funds for salary of the staff were also allocated by MoIT budget. Being working under the administrative control of Government of Pakistan temporary attachment of TIP vehicle for protocol duty of its Minister IT was justified.

The justification given in the reply was not acceptable because the same was against the rules. The vehicle may be retrieved from the Ministry and proof of recovery of vehicle may be provided.

No progress was intimated till finalization of this report.

7.10 Loss of TIP due to Non Receipt of Electric Bill from TIP Housing Scheme - Rs 32.370 million

According to Rule 8 of GFR Vol-I, it is the duty of the revenue or administrative department concerned to see that the dues of Government are correctly and promptly accessed and collected and paid into Treasury. Rule 28 provides that no amount due to Government should be left outstanding without sufficient reason.

It was observed that TIP provided plots to its employees during nineties for construction of houses. Later on these plots were sold out by the employees to private persons who constructed the houses and

resided or lent on rent. TIP provided electricity facility to the housing schemes from its own sources instead of the provision by WAPDA directly to the colony and charge bills to the management of housing scheme. But due to wrong decision of TIP management the electricity supply was from the TIP main connection and then the TIP raised monthly claims on the housing scheme management. The housing scheme management had not paid an amount of Rs 32,370,060 upto 30.06.2012 from the billed amount. The details were as under:-

S.No	Balance for the period	Amount (Rs)
01	Upto 30.06.2009	11,608,286
02	2009-10	2,781,238
03	2010-11	6,273,665
04	2011-12	11,706,871
TOTAL		32,370,060

The outstanding balance for 2011-12 was nearly 66% as Rs 6,000,000 out of the total billed amount of Rs 18 million was paid by the management of housing scheme. This showed the poor pursuance by TIP management for the recovery of its dues.

It was replied in January 2013 that recovery of outstanding amount had been started to collect in installments through electricity bills from the residents of TIP Housing Schemes. An amount of Rs 2 million has been collected so far. Furthermore, in near future WAPDA will take over electricity networks and henceforth TIP shall be released from this type of losses.

Audit recommended that particulars of recovered amount be furnished for verification and balance be recovered under report to audit.

No progress was intimated till finalization of this report.

7.11 **Extravagant expenditure on payment of medical re-imbusement & medicines - Rs 23.852 million**

According to Finance division (Regulation Wing) O.M No F.1 (1) Imp/2010-622 dated 05.07.2010. medical allowance @ 15 % of the basic pay to the employees in B-16 and above and Rs 1,000 p.m to the employees in B-01 to 15 has been allowed to the civil employees.

It was observed from the payment record that TIP incurred an expenditure of Rs 33,073,456 during the year 2011-12 on account of reimbursement of medical charges and purchase of medicines for its employees. This expenditure was against the standing instructions of the Government on the subject. In case TIP had paid the medical allowance as per approved rates of the GoP then the TIP had to incur an amount of Rs 9,221,246 whereas Rs 33,073,456 was incurred resulting in an excess expenditure of Rs 23,852,210 on medical charges during the year 2011-12 as detailed below:

Expenditure incurred by TIP	33,073,456
Expenditure if Medical Allowance has been paid	9,221,246
Difference	23,852,210

This excess expenditure was considered extravagant and a burden on the sinking industry and against the standing instructions on the subject matter.

It was replied in January 2013 that TIP Board of Directors controls all Financial & Administrative matters of Telephone Industries of Pakistan through TIP Management, in accordance with Articles and Memorandum of Association. The medical treatment facility was being provided to the staff in accordance with the terms and conditions of their appointment letter & in accordance with the CBA agreement after retirement. The Government of Pakistan/Finance Division circular were not applicable in TIP automatically until and

unless adopted/approved by the TIP Board. The allowances under reference had not yet been approved by TIP Board of Directors.

The reply was not accepted because the incurrence of expenditure on medical was not covered under the rules. Furthermore, the funds provided to the industry were GOP funds, therefore, the policy of the Government was applicable on the employees of the Company.

No progress was intimated till finalization of this report.

7.12 **Irregular promotion in B-17**

According to Establishment Division O.M No.06-02-2000-R.3 dated 06.05.2000 where the nature of a particular job/vacant position requires contract appointment for a specific period, standing instructions should be issued by the Administrative Ministry/Division concerned. Furthermore as per rule 9 of Civil Servant Act 1973.A civil servant possessing such minimum qualifications as may be prescribed shall be eligible for promotion to a higher post for the time being reserved under the rules for departmental promotion.

It was observed that management appointed an Imam in TIP Mosque on 13.03.1990 on contract basis in B-10. He was appointed against regular post from 15.02.1992 in B-10 without following the appointment procedure. He was promoted in B-14 from 16.01.1996 in the light of KPK Government notification No.FD(Pre) 1-1/89 dated 07.08.1991 which were not applicable on TIP. He was further elevated to B-16 from 06.11.1998 without observing the rules for promotion. The post was declared upgraded to B-17 from B-16 and the incumbent was promoted in B-17 from 17.05.2003 without the relevant qualification. Another violation was made by granting two (02) advance increments in his pay from 04.09.2008.

It was replied in January 2013 that Competent Authority up-graded the post of Imam BPS-16 by re-designating as a Khateeb BPS-17 and the incumbent was promoted from BPS-16 to BPS-17 w.e.f 17.05.2003.

The reply was not accepted because the re-designation/ up-gradation of posts were not allowed to the Chairman School Committee. Thus the promotion was not covered under the rules as the required qualification was MA Arabic whereas the employee had MA Islamite degree. Responsibility for irregular promotion may be fixed.

No progress was intimated till finalization of this report.

7.13 Less recovery of electric charges due to wrong tariff - Rs 4.219 million

According to Rule 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly accessed, realized and duly credited in the public account.

It was observed that PESCO was charging commercial rates through bulk meter supply to TIP. The management of TIP was providing electricity to the residents of Colony and its share holders like TSC, Colony Board and others. TIP was required to charge commercial rates on which electricity was provided to the Company by PESCO, but it was observed that domestic rates were being applied to some consumers and recoveries were made on the lesser rates from February 2012 which resulted into a loss of Rs 4,218,767

It was replied in January 2013 that TSC Quarters/ Hostels and NRTC residential quarters were being charged WAPDA domestic rates/ tariff as per approval of the competent authority. Quarters with private persons and TIP Housing Scheme was not being charged the

domestic tariff of WAPDA rather the bulk meter supply rate (WAPDA rate) as in the past.

The reply was not accepted because TSC was not paying the share of Colony Board; therefore, the facility of domestic rates was not justified. The applicability of domestic rates to the private residents was a favour at the cost of TIP as the supply was made by PESCO at bulk meter rates therefore the same rate was required applicability. As regards TIP housing scheme proof may be provided.

No progress was intimated till finalization of this report.

7.14 Irregular appointments/ promotions in B-17 without posts

According to Rule 12 of Civil Service Regulations 1973, a candidate for initial appointment must possess the educational qualification and experience. Furthermore, as per Establishment Division O.M No.9/1/73-R.5 dated 22.08.1984, recruitment rules should be framed by the organizations. Establishment Division O.M No.6/2/2000-R.3 dated 06.05.2000 provides the framework for contract appointments in autonomous bodies, semi autonomous bodies, corporations, public sector companies etc. owned and managed by Federal Government. Establishment Division D.O letter No. 10(3)81-CPI (Pt) dated 31.10.1982 and other instructions issued on this behalf states that promotion policy shall be framed and length of service defined. According to rule 6 of Civil Service rules, Secretary of the concerned Ministry is competent to make appointments against B-17 to 19 posts.

It was observed that four teachers were appointed in B-9 on contract basis without following the procedure for appointment. These teachers were promoted in B-14 & 16 during 2011-12 without considering the availability of posts.

Furthermore, two more teachers were appointed against B-17 without the availability of posts and approval by the competent authority.

It was replied in January 2013 that Managing Director / Chairman Colony Board was Competent Authority to create, appoint, grant advance increments and promote of staff from BPS-1 to 19 posts. The up-gradation of three teachers was made with the approval of Competent Authority on the basis of their educational/ professional qualifications and in accordance with the requirement of school.

The reply was not accepted because the creation of posts and up gradation of posts was not allowed to the Chairman Colony Board, therefore, the up gradation of posts and appointments made against these posts were not covered under the rules.

No progress was intimated till finalization of this report.

7.15 Loss to TIP due to non recovery of rent of space - Rs 14.517 million

According to Rule 31 of GFR Vol-I, the detailed rules and procedure regarding the demand and recovery of rents of Government buildings and lands are contained in the departmental regulations of the departments in charge of those buildings. TIP has framed its regulations for rent of its buildings in the light of Works Division's notifications regarding hiring of accommodations.

It was observed that TIP had a plot No.181-186 at I-9/2 Islamabad with an area of 220,000 sq. ft. TIP had rented its buildings covered area of 45,434 sq. ft. and 30,000 sq. ft. open area to M/s PMTL @ 35.45 per sq. ft. and Rs 19.34 sq. ft. respectively. Further, covered area of 4525 sq. ft. and open area of 1000 sq. ft. was rented out to M/s Pak Datacom on same rate. However, M/s ISI took possession of open area of 35,745 sq. ft. from January 2011 for security purposes. The agency had not paid any rent amount since

occupation. An amount of Rs 14,517,474 (35,745x19.34x21) for the period January 2011 to September 2012 was not paid by the agency which was a loss to TIP.

It was replied in January 2013 that the Competent Authority had approved the proposal on 06.01.2011 in the national interest keeping in view the prevailing law and order situation in the country particularly against the Pak Army & its allied department/Security Agencies. An agreement was executed without the payment terms. However, now on the audit objection, TIP had written a letter No.SD/Ibd-Genl/1521 dated 06.11.2012 in which TIP raised the whole claim with the ISI.

Audit requires that the matter may be taken at appropriate level for recovery of the rent of space.

No progress was intimated till finalization of this report.

7.16 Non-pursuance of court cases

According to the standing instructions of Public Accounts Committee as well rules & regulations on the subject of pursuance of court cases, the management is required to pursue and get settled the cases.

It was observed from the record that there were 37 court cases were lying pending in the different courts since long. The data provided did not include the date of initiation of the cases in the court. Due to non pursuance and settlement of these cases TIP was deprived from the revenues and proprieties belonging to the industry. The management was required to take appropriate steps to resolve the cases through the Law & Justice Division but no pursuance was on the scene.

It was replied in January 2013 that 12 cases had been decided in favour of TIP which is sufficient to prove the diligence of the TIP in pursuance of the cases to safeguard the interest of TIP.

The reply was not accepted because the pursuance was not upto the mark. Audit required that the cases may be pursued vigorously and results of the case may be provided to audit.

No progress was intimated till finalization of this report.

7.17 Workers Profit Participation Fund - Rs 51.563 million

According to Section 3 of the Workers Participation Act 1968, the company shall pay every year to the fund 5% of its profit during the year. The amount paid to the fund shall deemed to have been allocated to the fund. The amount in the fund may be invested by the Board in mutual fund, NIT Units, Government Securities including DSC's etc.

It was observed from the General Ledger Activity Report of the fund that on 01.07.2011, the fund balance was Rs 51,099,513 out of which payments were made Rs 6,499,210. However the end balance remained Rs 51,562,999 which was not clear. The company was in loss from last many years, therefore, no contribution was to be made but the activity showed that amounts were paid to the fund. The fund was only in papers and there existed no bank account or investment account wherefrom the amounts were obtained and disbursed among the workers.

It was replied in January 2013 that CBA Union demanded to disburse the allocated fund. MD TIP referred this matter to Board of Trustees. Secretary, Board of Trustees wrote the letter to Members of Board of Trustees for meeting. After meeting, Chairman wrote the letter to management with the signature of Members of Board of

Trustees for disbursement of WPPF among employees and workers in different categories.

The reply was not accepted because the workers fund was in papers only and not existed really. The amount could be distributed among the workers if there was a profit but there was no profit because the industry was not operational. The matter may be investigated for facts finding, fixation of responsibility for payment without the availability of money.

No progress was intimated till finalization of this report.

7.18 Irregular grant of four (4) advance increments to the officer

According to Finance Division (Regulation Wing) O.M No.F.1/7/Imp-II/87 dated 01.07.1987. Engineers and Doctors shall be allowed four (4) advance increments in case they possess or acquire a post-graduate degree in their relevant field for which they have not been allowed any qualification pay. The advance increments shall be allowed at the time of recruitment or acquiring higher qualification during service.

It was observed that TIP management appointed a commercial officer on contract basis from 17.10.1993 and regularized his services from 30.11.1993. The officer demanded advance increments on the basis of above quoted orders. After he acquired additional degree of MS in management sciences TIP allowed four (4) advance increments to the officer from 01.04.2000 vide No.F&P/P&AO/116 dated 04.07.2005. The grant of advance increments was not covered under the rules because the orders were specific to Engineers and Doctors only. The action of management was not in order.

It was replied in January 2013 that Managing Director was Competent Authority to create, appoint, grant advance increments and

promote staff from BPS-1 to 19 posts. The incumbent was M.S in Management Sciences and his degree was equivalent to M.Phil qualifications vide letter No. Nil dated 17.06.2005. On the basis of his meritorious service and higher qualifications he was granted 4 advance increment by the Competent Authority in 2000. As he was granted increments by the Competent Authority therefore, no violation of any rules was made in his case.

The reply was not accepted because the advance increments were not covered under the rules therefore, the pay be fixed after deducting the increments and proof be provided to audit.

No progress was intimated till finalization of this report.

7.19 **Non transparent promotion of officers**

According to Establishment Division O.M No.9/1/73-R.5 dated 22.08.1984, recruitment rules should be framed by the organizations. As per Establishment Division O.M No.1/25/83-R-2 dated 27.03.1985 the minimum service required for promotion for from B-17 to B-18 is 05 years and from B-17 to 19 is 12 years in B-17 and above.

It was observed that two officers joined TIP as Labour & Welfare Officer and Executive (S&S) in B-17 form 14.06.1990 & 1-3-1990. One officer was appointed on adhoc basis. His service was regularized from 31.12.1991 and adhoc service counted for with regular service. Both the officers were promoted in B-18 from 31.05.2003. These promotion orders were changed and made effective antedated vide F&P/P&AO/90 dated 17.03.2005 (Promotion B-17 to B-18 be read as 06.11.1995 instead of 31.05.2003) without financial benefits/arrears. They were further promoted in B-19 from 31.05.2003, the date from which he was promoted in B-18. The promotion in B-19 by antedating the date of promotion in B-18 was not covered under the rules because there was no provision to allow two promotions at the same time and antedate the promotion.

It was replied in January 2013 that one officer had 5 years' service in his credit in 1995 which is minimum requirement for promotion in BPS-18 as per Esta Code/rules and 13 years service on 31.05.2003 at his credit while minimum requirement for promotion in BPS-19 is 12 years. Therefore, he was also given an antedated promotion (as two promotions cannot be granted at the same date) with effect from 06.11.1995 instead of 31.05.2003 in BPS-18 without financial benefits/arrears and promoted in BPS-19 with effect from 31.05.2003 on the recommendation of Departmental Promotion Committee. The other officer moved an appeal on 16.02.2004 for grant of promotion to BPS-19. The management considered his grounds of appeal to be genuine as the applicant fulfilled all the criteria/length of service for promotion in BPS-19 i.e. 15 years service on 31.05.2003 while minimum 12 years service was required in BPS-17 & above for consideration of promotion in BPS-19 as per clauses of Esta Code. The then management promoted /antedated the promotion on the advice of TIP Legal Advisor.

The reply was not accepted because it is against the rules. Matter may be investigated at an appropriate level for fixation of responsibility for irregular ante dating of promotion and corrective action be taken.

No progress was intimated till finalization of this report.

7.20 Irregular appointment on contract basis

According to Rule 12 of Civil Service Regulations 1973, a candidate for initial appointment must possess the educational qualification and experience. Furthermore, as per Establishment Division O.M No.9/1/73-R.5 dated 22.08.1984, recruitment rules should be framed by the organizations. Establishment Division O.M No.6/2/2000-R.3 dated 06.05.2000 provides the framework for

contract appointments in autonomous bodies, semi autonomous bodies, corporations, public sector companies etc. owned and managed by Federal Government

It was observed that applications for appointment of teachers were invited on 24.09.2010. The vacancies were temporary and required qualification was mentioned in the advertisement. One candidate was appointed as Montessori teacher and granted B-14 pay scale. The appointment was made against a post of teacher whose required qualification was B.A B.Ed. whereas she had diploma in Montessori. A complaint was lodged against her appointment in B-14 by the alleged candidates. The Chairman Colony Board constituted a committee for facts finding inquiry. The preliminary findings proved that the appointment was non transparent and leads to nepotism.

It was replied in January 2013 that the candidate was appointed against a post of Teacher in BPS-14 with usual allowance as per offer letter dated 13.10.2010 duly approved by the Competent Authority No complaint was available in the personal file.

The reply was not accepted because the evidence of complaint and inquiry was available which proved the irregularity. Audit requires that the matter may be investigated for facts finding and fixation of responsibility for irregular appointment.

No progress was intimated till finalization of this report.

7.21 Irregularities in TIP housing scheme

Telephone Industries of Pakistan started a housing scheme on the land of Government of Pakistan in nineties. The total land available for the scheme was 1030 Kanal. This land was divided into plots of different sizes and total 1266 plots were leased to the employees of the TIP. The plots were sold out at a very nominal price to the employees

and they were handed over the plots at the cost as under:

Size of plot	Land premium	Development cost
01 Kanal	20,000	54,000
10 Marla	10,000	27,000
07 Marla	7,000	25,500
05 Marla	5,000	18,000

The cost of the plots were recovered in the easy instalments of Rs 100 p.m as land premium and Rs 95 p.m as development charges for a plot of measuring 7 marlas from the monthly salaries. The allottees were allowed to sale these plots after 3 years period. The scheme at present was totally sold out by the employees to the individuals for which the TIP housing society management had received millions of rupees as transfer fee. The affairs of the scheme were run by the TIP and electricity and gas facility was being provided by the TIP from its main supply lines. Due to this scheme, company had to bear a loss of millions of rupees in the shape of less receipt of premium of land as the same was sold out at very nominal installments which were deducted from the monthly salary of the employees. Audit findings could not be developed because of non availability of following information/ data.

1. Total land with the proof of transfer of land by the GOP to TIP
2. Approval of scheme by the competent forum
3. Accounting record of the recoveries made from the employees from their salaries or received in lump sum.
4. Accounting records of sale and resale by the allottees or the purchasers.
5. Bank accounts record relating to the receipts and expenditure from the accounts.
6. Audit reports of the accounts of the scheme by the Chartered Accountant firm since its inception.

7. Appointment of Chairman of housing scheme from the TIP.
8. All the other related record of the scheme.

It was replied in January 2013 that the primary objective of the TIP housing scheme started in 1986 was provision of affordable residential facilities to the staff of the organization. Hence, the land was divided into the plots of 4 different sizes.

The reply was not acceptable being irrelevant, therefore, Audit requires that the matter may be investigated and responsibility for non provision of records may be fixed.

No progress was intimated till finalization of this report.

CHAPTER-8

UNIVERSAL SERVICE FUND COMPANY

UNIVERSAL SERVICE FUND COMPANY

8.1 Introduction

Federal Government established a fund with the name Universal Service Fund under section 33 A of Pakistan Telecommunication (Re-organization) amended Act, 2006. The main functions of the Fund are as under:

- The USF shall be under the control of the Federal Government and therein shall be credited any sums of money and the balance to the credit of the USF shall not lapse at the end of the financial year.
- The USF shall consist of grants made by the Federal Government and the Provincial Government.
- Prescribed contribution by licensees.
- Sale proceeds from the auction of the right to use radio spectrum.
- Loans obtained from the Federal Government.
- Grants and endowments received from other agencies.

The Federal Government shall have the power to administer the USF in such manner as may be prescribed. The USF shall be utilized exclusively for providing access to telecommunication services to people in the un-served, under-served, rural and remote areas and other expenditure to be made and incurred by the Federal Government in managing USF. The Federal Government shall be responsible for the coordination and ensuring timely utilization and release of sums in accordance with the criteria as may be prescribed.

8.2 COMMENTS ON BUDGET AND ACCOUNTS

8.2.1 A comparison of the operating results of the USF on the basis of draft accounts for the year 2011-12 with previous years is as under:

(Rs in million)

Particulars	2011-12	%age Incr/Dec	2010-11
Grants transferred from fund balance	1617.747	(55.463)	3632.330
Subsidy grant disbursements for projects	1444.605	(58.580)	3487.707
Creditors, Accrued & Other Liabilities	11.882	35.825	8.748
Administrative and general expenses	167.966	34.429	124.948

8.2.2 The financial statements depicted a decrease in “Grants transferred from fund balance” of 55.4% as compared to 2010-11 showing a reduction in the activities of the fund but the administrative expenses escalated by 34.42% during the period which requires clarification.

8.2.3 The financial statements showed that the Fund acquired new fixed assets during the year amounting to Rs 29.23 million regardless of the fact that the fund activities were restricted to less than 50%. The acquisition of assets in times of sluggish activity was unjustified.

8.3 STATUS OF COMPLIANCE WITH PAC DIRECTIVES

The Audit of the USF Company was assigned to Director General PT&T Audit first time in February 2011. No audit report has yet been discussed in PAC.

AUDIT PARAS

8.4 Non production of record for audit

According to the Auditor-General's function & powers Ordinance 2001 the Auditor General or his representative may call for any record or statement required for audit.

Following records were not provided by the auditee.

1. Cases with NAB against which the agency were investigating.
2. Corporate Governance Committee composition, responsibilities and the job performed.
3. Finance and Audit Committee composition, responsibilities and the job performed.
4. Project Appraisal Committee composition, responsibilities and the job performed.
5. Human Resource Governance Committee composition, responsibilities and the job performed with working papers.

It was replied in January 2013 that no case is pending with NAB. Working papers of the committees are available and can be checked any time.

The reply was not accepted because the record was not provided during the course of audit despite repeated requests. No reasons for the non-production of record were provided.

Audit requires that matter may be investigated for facts finding and fixation of responsibility for non-production of record.

No progress was intimated till finalization of this report.

8.5 Unjustified expenditure on Bahawalpur Event -Rs 1.220 million

According to Rule 10(i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. Furthermore, according to Finance Division's O.M No. F.15 (13)-R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed from the paid vouchers that USF Company issued work order No.USF-00190/ Orient-Coord/TJ/TV dated 29.07.2011 regarding arrangements for an event at Bahawalpur at a cost of Rs 166,360. This order was enhanced to Rs 1,219,760 on 03.08.2011 for making arrangement of Marque with sitting arrangement, stage etc for 300 people. The expenditure on the event was not covered under the Government rules as well USF rules, mandate and policy, therefore, considered unjustified and irregular.

Audit pointed out this irregularity to the management during September/October, 2012 but no written response was provided till finalization of this report. However, a preliminary meeting was held on 12.10.2012 wherein it was promised to provide written response.

It was replied in January 2013 that GFR are not applicable to USF Company. USF Company was established under Section 42 of the Companies Ordinance 1984 and USF Rules cover the procedures being followed by USF Initially, USF was supposed to make limited arrangements at the venue for the promotion of its Broadband Project. Prime Minister was inaugurating the subject event and when the USF

team arrived at the venue, it was learnt that locales also had to be informed about the benefits and services being delivered through this project. For this purpose, stage décor, lighting and sound system, coordination and services and transportation expenses had to be made. The expenditure was made within the events budget approved by the USF Board.

The reply was not acceptable as the General Financial Rules (GFR) and instructions contained in the DDO handbook for autonomous bodies were applicable on USF being Government owned company. The funds could not be utilized at the sole discretions of the CEO being public funds.

Audit recommended that matter be investigated for fixation of responsibility on those who at fault.

No progress was intimated till finalization of this report.

8.6 Unauthorized expenditure on advertisements -Rs 17.318 million

According to Para 8.1.2 of Manual of Operating Procedures Vol-I, the Company's external communications activities should concentrate on matters pertaining to Universal Service and the work of the agency. Furthermore, according to Finance Division's O.M No. F.15 (13)-R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed that USF Company had incurred an expenditure of Rs 17,317,864 million on advertisements which were neither related to Universal Service nor for promotional activities of

USF as provided in USF Rules. The advertisements had no concern with USF mandate, therefore, the expenditure was considered unauthorized. The details of expenditure were as under:

S.No	Vr. No and date	Agency	Remarks	Amount (Rs)
1.	24 / 05.08.2011	X20 Pvt. Ltd.	Prime Minister's visit to Baluchistan.	4,414,544
2.	14 / 01.12.2011	Orient	UTC Project Bahawalpur event	2,721,648
3.	04 / 02.02.2012	Vini Vice	Federal Cabinet 100 th Meeting	9,318,195
4.	32 / 09.03.2012	-- do --	-- do --	863,477
TOTAL				17,317,864

It was replied in January 2013 that Rules of GFR are not applicable to USF Company. USF Company was established under Section 42 of the Companies Ordinance 1984 and USF Rules cover the procedures being followed by USF. Approval regarding the payment of Bills for the release of advertisement (Prime Minister's visit to Baluchistan) was given by the Secretary IT on June 10, 2011. USF released this advertisement in accordance with the directive and expenditure was within the budget of promotional advertisements approved by the Board. The Bahawalpur Event Project published on August 4, 2011 highlighted the achievements of USF made in the Rural Telecom Project. It showed the districts covered in this project along with the number of served mauzas and population.

The reply was not acceptable because the expenditure was not covered under the USF mandate given in Section 33 of the Telecom Re-organization Act and USF rules.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for facts finding and fixation of responsibility on account of this type of extravagant expenditure.

No progress was intimated till finalization of this report.

8.7 Non transparent advertisement - Rs 1.854 million

According to para 8.1.2 of Manual of Operating Procedures Vol-I, the Company's external communications activities should concentrate on matters pertaining to Universal Service and the work of the agency. Furthermore, according to Finance Division's O.M No. F.15 (13)-R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed that MoIT vide O.M No. F.1-3/2011-PR dated 29.09.2011 asked to make advertisement on "03 years of President. USF Company requested PID vide No. USF/PID-Comm/PI/NM dated 29.09.2011 to print the advertisement in 12 newspapers, 4 magazines on 10.10.2011 and in 8 magazines on 11.10.2011 in the name "Serving the un-served". The advertisement revealed that the same was disguised in the name "Serving the un-served" whereas the same had photograph of President, Prime Minister and Ex-Prime Minister to highlight the achievement of Government. This expenditure was not covered under the rules and Policy. The total expenditure on this advertisement was as under:

S.No	Vr. No and date	Agency	Amount (Rs)
1.	69 / 19.01.2012	Ideas Workshop	1,182,000
2.	11 / 30.01.2012	-- do --	357,600
3.	08 / 01.03.2012	-- do --	314,750
TOTAL			1,854,350

It was replied in January 2013 that Rules of GFR are not applicable on USF Company. USF Company. was established under Section 42 of the Companies Ordinance 1984 and USF Rules cover the procedures being followed by USF. The advertisement was released

as per the directives of Ministry of IT. The advertisement with the title serving the un-served showed the achievements of USF in Broadband Program in number of covered cities and towns, EBCs and CBCs and broadband connections. Apart from this, this advertisement also covered the achievements made in the Optic Fiber Program. After making so many achievements in programs, it was imperative to publicize the achievements of USF. Although the pictures of President, Prime Minister and Ex-Prime Minister were added but the contents of the advertisement were not changed.

The reply was not acceptable because the expenditure was not covered under the USF mandate given in Section 33 of the Telecom Re-organization Act and USF rules.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for facts finding and fixation of responsibility on account of this type of extravagant expenditure

No progress was intimated till finalization of this report.

8.8 **Luxurious/irregular expenditure on procurements/hiring of vehicles - Rs 1.152 million**

According to Rule 10(iii) of GFR Vol-I, no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage. Rule 11 ibid clarifies that each head of organization is responsible for enforcing financial order and strict economy at every step.

Contrary to the above, USF company was incurred an expenditure of Rs 1,151,553 on procurement of Laptop, LED, LCD TV and hiring of vehicles for the CEO of USF. Detail is as under:

S.No	PDP No	Name of firm	Remarks	Amount (Rs)
01	498-13	PAK MAC	MAC Book for CEO	183,280

02	-do-	-- do --	LED, Wireless Keyboard/ Mouse for CEO	145,000
03	-do-	Afzal Corporation	LCD TV, Paper Shredder and Electric Heater	83,800
04	502-13	M/s Shani travels & Margala enterprises	Rented vehicle Prado 660, Altis & GLI	739,473
TOTAL				1,151,553

It was further observed purchases were made on quotation basis (self-collected) which was against Rule 12 of PPRs 2004. The remarks on the note sheets and other papers were an indicative of non-observance of rules. In case of serial No.01, Personal Staff Officer to CEO requested on 03.01.2012 to arrange Apple Laptop, quotations collected on same day and procurement on same date without procurement committee proceedings. As regards serial No.02, request was made on 02.02.2012, quotations on same day, work order on 15.02.2012 and supply received on 17.02.2012. As of serial No.03, request was made on 17.01.2012, quotations collected on 13.01.2012 and 16.01.2012, work order on 17.01.2012, procurement on same date. This all showed the affairs at the Company. There was no justification for the purchase of the items because Laptop (Toshiba) was already with previous CEO office as per USF Administrative structure and can be utilized by new CEO. The Desktop was not needed in the presence of Laptop. Further, there was no need of LCD TV in the office premises of CEO.

It was replied in January 2013 that the procurements were made on, as and when required basis. These procurements were made in accordance with clause 2.2.2 of USF Financial and Accounting Manual approved by BoD in its 15th meeting held on February 2, 2009, which states "Assets involving cost from Rs 15,000 to Rs 249,999 may be acquired on the basis of three quotations." Vehicle No.LX-259 was handed over to PSO of Minister of IT. The documents related to handing over of the vehicle are available. Since the official Prado was handed over to PSO to Minister of IT, the rental Prado was hired for

field visits of CEO which was in line with the authorization mentioned in 26th BOD meeting.

The reply was not acceptable because the deviation from PPR,s-2004 was not allowed to any organization as circulated by PPRa and directed by PAC. Accounting Manual of USF was not approved from any competent forum, therefore, the provisions of the Manual were not valid.

Audit requires that the matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility on account of this type of extravagant expenditure and flawed out from the Company policy and provisions of Administrative structure of the Company.

No progress was intimated till finalization of this report.

8.9 Irregular expenditure on procurement of services - Rs 2.655 million

According to Rule 4 of PPRs 2004, procuring agencies while engaging on procurements shall ensure that procurements are conducted in a fair and transparent manner, the objective of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule 19 of GFR Vol-I provides that at least a written agreement must be executed before such acts. Finance Division's O.M No. F.15 (13)-R-14/82 dated 05.09.1982, further, states that the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed that an expenditure of Rs 2,654,530 was incurred on procurement of Air Tickets, hotel charges and rent of vehicles including MoIT officials without tendering and written agreements. The expenditure was considered irregular because no written contract agreement was made for the jobs. In case of Air tickets, the air travel agents normally provide a rebate to the corporate clients whereas in this case no benefit was obtained. Detail is as under:

S.No	PDP No	Description	Name of firm	Amount (Rs)
01	499-13	Air tickets	Flight Masters	1,207,827
02	-do-	Rental vehicles	Shani Travels	1,145,503
03	501-13	Air tickets & rent of vehicle for MoIT	Flight Masters, Shani Travels & Meridian Travel	301,200
TOTAL				2,654,530

It was replied in January 2013 that USF always abide by the PPRA rules for procuring service or goods. The quotations attached with the noting depict all the terms and conditions as may appear in the contract agreement. The matter was taken up with the agency for provision of rebate. They replied that the quantum of the business with the USF was low and they do not allow rebate on this level of business; however, as the staff of the USF has increased and more travelling is expected, so we are already in process of negotiating with the Flight Master and other agencies.

The reply was not acceptable as the procurement rules were violated.

Audit requires that responsibility for non- observance of rules may be fixed.

No progress was intimated till finalization of this report.

8.10 Unjustified procurement of non entitled vehicle -Rs 18.286 million

According to Finance Division (Regulation Wing) O.M No. f.397)-R-4/98 dated 18.08.1998, the professionals from private sector to be appointed on a contract against the position of Chief Executives are entitled for 1600cc capacity vehicle. Furthermore, clause 8.6 of Administrative Structure USF also provides that the entitled vehicle for CEO will be of 1600 cc.

It was observed that a vehicle, Toyota Land Cruiser Prado VX-L, 3000 cc capacity was procured from Toyota Capital Motors. An amount of Rs 16,934,500 was paid as advance to Indus Motor Company Karachi on 09.03.2012 for vehicle and advance payment of Rs 739,878 was made to Toyota Capital Motors for registrations of vehicle vide on 18.05.2012 and insurance amount Rs 611,742 to NICL for the period 08.08.2012 to 30.06.2013. Thus the total expenditure Rs 18,286,120 was incurred on the procurement of such a costly imported vehicle which was not covered under any rule. Further, the Company CEO had already Prado vehicle which was procured at a cost of 4.950 million in 2007 and payment made vide Vr. 06 of 15.05.2007. In the presence of a vehicle for CEO, the procurement of such a costly vehicle was not justified. The CEO was competent to incur expenditure upto one million rupees with the approved budget as per Rule 22(c) of USF Rules 2006, whereas this expenditure was neither approved/released in the budget nor in the competency of CEO.

It was replied in January 2013 that USF was registered under section 42 of the Companies Ordinance 1984 as a Guaranteed Limited Company. As the company was registered with SECP therefore, it follows the law and rules as applicable under section referred above. The Company is managed and run by the independent board. The BoD of the company is empowered by the ordinance to take decision. The USF Co BoD has full representation

of Federal Government. The USF Board in its 26th meeting on December 28, 2011 approved of 3000CC vehicle for project visits of CEO. USF BoD in its 26th Board meeting also discussed the matter of handing over of the vehicle LX-259 to ex-CEO. Chairman directed PS to PM to find an acceptable solution in coordination with Secretary IT.

The reply was not acceptable because the decision of the Board was against the rules and provisions of Administrative structure of USF. Furthermore, in the presence of a Prado vehicle for CEO there was no justification for a luxurious vehicle.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility on account of this type of extravagant expenditure on an unauthorized vehicle. Further, responsibility for non-observance of rules as well Company policy may also be fixed and amount be recovered from the person at fault.

No progress was intimated till finalization of this report.

8.11 Irregular Media Campaign by USF valuing -Rs 128.073 million

According to Rule 97 of GFR Vol-I, expenditure for which no provision has been made in the original budget estimate of the current financial year should not be incurred. Furthermore, as per Finance Division's O.M No. F.15 (13) R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed from the news clipping printed in "The News"

9th May, 2012 that Rs 120 million was incurred on political Media Campaigns by USF. The record revealed that USF Company issued two orders to M/s Midas for advertisement in Electronic and Print media. The advertising agency submitted claim of Rs 113,570,871 for Electronic Media campaign and Rs 14,502,066 for Print Media. Thus a total claim of Rs 128,072,937 was received in the Company. However, the payment of the claims was requested by the management to the Board but not approved and genuineness of the claims not verified as the payment vouchers were not provided. The campaign was against the USF Rules and Policy. Further, the expenditure was not approved in the budget estimates and not within the competency of CEO. The matter was being probed by NAB but record of NAB was not provided despite repeated written & verbal requests.

It was replied in January 2013 that in 27th Board meeting of USF, the Board of Directors gave approval to run a media campaign worth Rs 152 million for highlighting the achievements of USF in providing telephony, broadband and Optic Fiber services in the under-served and un-served areas across Pakistan. The Board also authorized CEO-USF to carry out the process for selection of advertising agency for running the media campaign. While the procedure for selection of advertising agencies was being conducted, an electronic campaign of USF worth Rs 113 million was run by Midas Pvt Ltd. without seeking any Release Order from USF. Subsequently, USF issued a letter through its legal consultants to Midas Pvt. Ltd showing serious concern that USF logo was being used without approval.

The reply was not acceptable because the media campaign was not covered under USF mandate as well rules.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility on account of this type of extravagant expenditure. Furthermore,

responsibility for non-production of record relating to the case against which NAB was investigating may also be fixed.

No progress was intimated till finalization of this report.

8.12 Irregular transfer of vehicle of Rs 4.950 million and expenditure on POL after transfer Rs 256,260

According to Rule 10(iv) of GFR Vol-I, public money should not be utilized for the benefit of a particular person or section of the community unless the expenditure is in pursuance of a recognized policy or custom.

It was observed that Company vehicle LX 259 Prado 3000cc amounting to Rs 4,950,000 was transferred to Minister of IT on 25.04.2012 vide No.USF/Dir/Minister/MoIT/RAS. The transfer of Company vehicle to the then Minister IT was not covered under the rules. After the transfer of vehicle, expenditure of Rs 256,259 was also incurred on account of POL and repair unauthorizedly by the Company.

It was replied in January 2013 that the matter of handing over of old Prado to previous CEO through a committee comprising Sect IT and PS to PM. Therefore, the old Prado vehicle was handed over to MoIT on April 24, 2012. Since the vehicle was an asset of USF Company as appearing in its Fixed Asset Register, its complete maintenance and POL expenses is the responsibility of the Company.

The reply was not acceptable because the handing over of vehicle to Ex-CEO was not covered under the rules. Furthermore, the documents proved that the vehicle was not handed over to Ministry but to the then Minister IT.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for fixation of responsibility

on account of unauthorized transfer of vehicle. Further, extravagant expenditure incurred on POL of vehicle after the transfer may be recovered from those who were found responsible for this action. The vehicle may be got recovered and taken on Company charge.

No progress was intimated till finalization of this report.

8.13 **Irregular procurement of vehicles -Rs 2.775 million**

According to National Economic Council decision conveyed by Cabinet Division vide No. 1/2/2000-Imp-11 dated 28.02.2000 and clarification vide 6-35/2002-M-II dated 01.12.2003, the purchase of new vehicles is banned. The ban is applicable to all Ministries/ Divisions, Autonomous/ Semi-autonomous bodies, corporations, Northern Areas (Gilgit Biltistan) & FATA.

It was observed that USF had purchased 03 Cultus cars at a cost of Rs 2,775,000 and payment made to Pak Suzuki Motors in advance on 16.01.2012. The procurement of the vehicles was not justified as the Company had already 02 Corolla, 03 Cultus, 01 Prado and 01 double cabin. No new project was started and no approval of Prime Minister was obtained for the procurement of vehicles.

It was replied in January 2013 that USF Company was registered under section 42 of the Companies Ordinance 1984 as a Guaranteed Limited Company. As the company is registered with SECP therefore, it follows the law and rules as applicable under section referred above. The Company is managed and run by the independent board. The BoD of the company is empowered by the ordinance to take decision. The USF Company/BoD has full representation of Federal Government. Moreover, all procurements have been made by the procurement committee in line with PPA Rules.

The reply was not acceptable being against the rules and instructions of the Cabinet Division.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility for violation of rules and standing instructions of GOP as the funds with the Company were the State funds.

No progress was intimated till finalization of this report.

8.14 Unjustified expenditure on consultancies/legal opinions -Rs 1.706 million

According to Rule 10(i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Furthermore, according to Finance Division's O.M No. F.15 (13)-R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government. As per Law Division O.M dated 05.03.2004 legal advisors shall not be appointed without the approval of Law Division.

It was observed from paid vouchers that an amount of Rs 1,706,000 was incurred on account of legal opinions/advices. The expenditure was not justified because the Company had two Managers viz. Manager Contracts (Legal) and Manager Auction (Legal). In the presence of law officers of the Company, there was no justification for hiring the legal firms. The Company had been incurring an expenditure of Rs 3,952,860 on the pay and allowances per annum of the officers

whom duties were to cater for the legal issues for the Company. The salaries and allowances paid to the officers during FY 2011-12 were Rs 3,952,860. Privileges and perks were over and above the pay and allowances which were also paid. The hiring of legal consultants was unjustified. Detail is as under:

Particulars	Salary	Months	Amount (Rs)
Manager Auction (legal)	179,405	12	2,152,860
Manager (contract)	150,000	12	1,800,000
TOTAL			3,952,860

It was replied in January 2013 that presently, USF law department consisted of only two manager's i.e.

- Manager Legal (Auction)
- Manager Legal (Contracts)

Manager Legal Auction deals with the auction of projects and all other related legal issues within the company, while Manager Legal Contracts deals with the contracts which are signed between USF and Service Providers/ Technical Auditors etc. So far as the legal opinion/ legal advice was concern they always did their best to save the company's interest, but as they are company's employees and their legal opinion / legal advice may not be consider as biased/partial USF took independent legal opinion. Secondly Natural Justice demands that third party independent legal opinion is arbitrary/ compulsory to meet the end of justice. The above directions of the BOD clearly reveal that the External Independent Legal Opinion has its own value and ethnicity and it also supersedes the Internal/Departmental legal opinion.

The reply was not acceptable because the Managers appointed for legal affairs should dealt with all the legal matters relating to contracts and other issues arising out from the contracts. The

expenditure on hiring of services of legal firms was not justified in the presence of lawyers on the pay roll.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility on account of hiring of legal consultants in the presence of two Managers (legal). The appointment of the managers be justified if the legal consultancies were required from the third party.

No progress was intimated till finalization of this report.

8.15 Unjustified hiring of legal consultants for court cases - Rs 1.600 million

According to Telecom Re-organization Act 1996 (amended 2006), PTA has been made responsible to prescribe the fee on licenses. Section 21(m) & (n) prescribes that PTA is responsible for asking the licensee to contribute to USF. Furthermore, as per Rule 3(4) of USF Rules 2006, PTA shall monitor and enforce the obligations of the relevant licensee to make USF contributions in a timely and proper manner.

It was observed that some operators had approached the courts against the decision of PTA regarding payment of APC for USF. PTA was responsible to defend the cases in the courts. Accordingly PTA was defending the cases in the High Courts and Supreme Court of Pakistan. USF Company was not a party in these cases, therefore, no liability to defend these cases through hiring lawyers. If necessary then the two Legal Managers with the company should defend the Company in the courts. An amount of Rs 1,600,000 was paid/ agreed to be paid in this regard. Detail is as under:

S. No	Vr. No. and date	Name of firm	Remarks	Amount (Rs)
1	28 13.4.12	Ch. Maqsood Law Associates	50% of 300,000 to defend the case in	150,000

				Islamabad High Court against PTCL	
2	27	13.4.12	Allied Legal Consultants	50% of 1,500,000 to defend 5 cases in Sindh High Court	750,000
3	13	10.9.12	Syed Nayyab Hassan	Total demand 1,000,000 for 4 cases in IBA High Court	700,000
TOTAL					1,600,000

Furthermore, Company had incurred TA/DA, Air fares of Rs 185,818 on Syed Sibte-e-Hassan to attend the Sindh High Court for these cases.

It was replied in January 2013 that the consultant were hired after the approval of the USF Board of Directors. These Consultants were hired because litigation regarding APC for USF dues, USF contributions, contractual obligations, encashment of Bank guarantees, NAB cases, tax liabilities are pending adjudication in Supreme Court, High Courts, District Courts, Regional tax office etc. PTA, Federation of Pakistan through Ministry of Information Technology and Universal Service Fund are also parties to the cases.

The reply was not acceptable because the expenditure was against the mandate of USF. The lawyers on the pay roll of USF should handle all the legal issues. Furthermore, the regulator was responsible for the collection of dues but not the USF Company; therefore, the hiring of legal consultants for the job was not justified.

Audit requires that Matter may be investigated by the Principal Accounting Officer as well as the Board for fixation of responsibility on account of irregular involvement of USF Company in the cases which were not responsibility of the Company.

No progress was intimated till finalization of this report.

8.16 Irregular expenditure on rent of office building - Rs 9.002 million and excess expenditure - Rs 5.282 million

According to Ministry of Housing and Works O.M No.F/2(1)/2000-Policy dated 21.09.2006 and 14.04.2008 the procedure and rates for hiring Commercial Buildings for offices has been described as under:

Description	21.09.2006	14.04.2008
Basement	@ Rs 7/Sq. ft.	@ Rs 25/Sq. ft.
Other floors	@ Rs 14/Sq. ft.	@ Rs 40/Sq. ft.

From 14.04.2008 it has been allowed to pay 25% extra rent for high rise centrally air conditioned buildings. Para 2(IV) of the above O.M “cases of buildings proposed to be hired beyond prescribed enhanced rates will be referred to Finance Division (Regulations Wing) through FA’s Organization” after completion of procedural formalities as per Finance Division O.M No.8 (69) R-14/83-2001-452 dated 18.10.2001.

In violation of the above instructions and rates, a floor in HBL Tower, Blue Area Islamabad covering an area of 6200 sq. ft. @ Rs 121/sq. ft. was hired by USF Company for establishment of Company offices. An amount of Rs 9,002,400 was paid to M/s HBL on account of rent for the periods 16.02.2012 to 15.02.2013 vide Vr. No.29 of 09.03.2012. Thus an excess expenditure of Rs 5,282,400 (6200x 121 xs12 – 6200x50x12) was incurred on rent of building. The calculation of rent has been made by allowing 25% excess as admissible rate as per letter dated 14.04.2008.

It was replied in January 2013 that initial selection of the 5th Floor, HBL Building for USF Co was made in 2006 by the Ministry of Information Technology as the establishment of the Company was in process at that time. The selection of the floor/building was made by a

Sub-Committee comprising of Secretary IT and Member Telecom on the basis of a thorough survey and search for office space in Islamabad. The floor was hired after the formal approval of above sub-committee recommendations by the USF Board of Directors in its first meeting held on 12th December, 2006. The increase in rent of 10% was based on Islamabad Rent Restriction Ordinance. Only 10% increase in rent had been applied on USF after expiry of first two years. Since then, USF office did not pay any further increase in rent to HBL. The rental rates of the existing premises are less than all other premises with similar location and facilities in the vicinity.

The reply was not acceptable because the approval for payment of rent other than the approved rates was not obtained from the competent forum.

Audit requires that the payment of rent at the enhanced rates may either be got regularized from the competent authority or the excess amount paid may be recovered from those at fault.

No progress was intimated till finalization of this report.

8.17 Non transparent award of contracts amounting to Rs 21,577.868 million

According to D.O letter No. F.3 (7)/2002/PPRA dated 05.10.2002, Additional Finance Secretary (Exp)/MD have communicated the decision of Economic Coordination Committee (ECC). The decision provides that all public sector agencies, whether attached/subordinate or autonomous working under a Ministry will always demand a certificate “Integrity Pact” while procuring goods and services worth Rs 10 million or more.

It was observed that USF Company had signed contract agreements with telecom service providers valuing Rs 21,577,868,003

for infrastructure and provision of telecom data & E-services in the un-served & underserved areas. No Integrity Pact was signed and obtained in disregard to PPRA instructions. This action resulted into non transparent contract agreements and violation of ECC decision.

It was replied in January 2013 that USF already abides by transparency requirements under the applicable law and procedures in respect of USF's bidding processes for project contracts and the award of projects contracts under Chapter V of the USF Rules, 2006 and was fully committed to maintaining these efforts. These include a transparent and public bid and evaluation process under the public procurement laws. The demanding of "Integrity Pact" from supplies/contractors of goods and services to the Government of Pakistan was introduced prior to the year 2002 and was made mandatory for the public sector organizations in this year vide Ministry of Finance letter No.F.3 (7)/2002/PPRA dated: 5-10-2002. In Pakistan there is no specific law that requires provision of contract integrity certificates or the inclusion of contract integrity clauses in contracts in respect of any contracts.

The reply was not acceptable because the integrity pact was mandatory as directed by the ECC.

Audit requires that the matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility for non-obtaining Integrity Pacts in disregard to ECC decision and putting Company as well GOP at stake.

No progress was intimated till finalization of this report.

8.18 Undue favor to Technical Auditors at the cost of USF valuing Rs 136.452 million

According to Rule 19(i) & (IV) of GFR Vol-I, the terms of a contract must be precise and definite and there must be no room or

ambiguity or misconstruction therein. No contract involving an uncertain or indefinite liability or any condition of unusual character should be entered into without the previous consent of Ministry of Finance. Provision must be made in contracts for safeguarding the interest of Government/institution.

It was observed that contract agreements had been made with the Technical Auditors at a cost of Rs 136,451,589 for technical audit of works executed by the USF subsidy receiving service providers. A clause 2.5.4 under special conditions of contract was included in the agreements. The clause provided that Technical Auditor would be compensated for the number of days for which his staff remains idle. This clause was a disfavor to the Company because the same was against the rules. Furthermore, this clause was not fair as the contractor (TA) was not penalized in the form of L.D for delayed completion of job as in case of service provider (subsidy receiver) for the period other than Force Majeure. This clause showed non transparent contract agreements. Detail is as under:

S.No.	PDP No.	Description	Amount (Rs)
01	511-13	Undue favour to technical auditor	128,251,589
02	532-13	Undue favour to technical auditor	8,200,000
TOTAL			136,451,589

It was replied in January 2013 that Since USF Company signed its first contract, the referred clause had been a part of the contract and no objection by the auditors. As the Service Provider had suspended works due to Force Majeure, therefore the Consultant's work was also suspended therefore, Clause 2.5.4 is applicable.

The reply was not acceptable because the insertion of a new clause in the agreement was not covered under the rules. This clause was a favour to the technical auditors at the cost of the company.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for fixation of responsibility on account of irregular inclusion of a clause which was against the rules and disfavoring Company.

No progress was intimated till finalization of this report.

8.19 Non transparent monitoring system/Technical Audit Reports and payment - Rs 38.362 million

According to Rule 29 of USF Rules 2006, an officer of USF Company nominated for monitoring shall arrange for onsite and offsite monitoring of projects to make sure that the funding is being utilized in accordance with the contract. For the purpose of monitoring, independent consultants may be engaged.

It was observed that USF had hired services of Technical Auditors for audit of projects launched by USF. The contracts for the Technical Audits were concluded at Rs 128,251,589 with Technical Auditors for audit of works as per schedule of Subsidy Service Agreement. An amount of Rs 38,362,848 was paid during 2011-12 to the technical auditors. The Company nominated its team of engineers with technical auditors to monitor the audit and face to face survey. Face to face survey was conducted by the Technical Auditor but the monitoring team of USF was not the part of that survey. However, monitoring teams had formed their independent opinion on the findings of the Technical Auditor about the service provider's fulfillment of terms of agreements with regard to job but no such findings/reports were available with the report of TA. Due to non-availability of these monitoring reports, it was not fair to release the payments to the TA and service providers until and unless the monitoring team of USF cleared that all the discrepancies either service affecting or non-service affecting were removed. However, the payments were released without removing the deficiencies.

It was replied in January 2013 that it is an established process that USF Team accompanies Technical Auditor and supervises the audit activity at each stage. This has been a standard practice in all Broadband Projects that are under implementation or will be implemented.

The reply was not acceptable because the opinion/observations of USF teams nominated with the technical auditors were not considered by the company. There was no proof that the observations of USF staff were rectified before the release of payment to technical auditors.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for fixation of responsibility for releasing the payments to service providers as well Technical Auditors without the satisfactory completion of works and misreporting by the Technical Auditor. Further the reports of the monitoring teams of USF Company may be provided for examination by audit.

No progress was intimated till finalization of this report.

8.20 Non transparent extension in contract date and undue favor to contractor

According to Rule 19(v) of GFR Vol-I, no contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of Ministry of Finance.

It was observed that a contract agreement was signed with M/s Oratier Technologies on 14.10.2011 for Telemedicine Project at a cost of Rs 59,657,214. The time period for completion of contract was fixed 16 months. This time frame had two segments viz. deliverables

and maintenance services provision. First segment was scattered over 16 weeks (4 months) and second segment 12 months. According to schedule 5 (deliverable and payment schedule) the contractor was bound to deliver as under:

S. No	Milestone	Time frame	Payment %age
01	Submission of Engineer Survey Report and acceptance by USF	03 weeks	15%
02	Delivery of hardware, software and Broadband Services to all sites	08 weeks	50%
03	Integration and functioning of all sites Technical Audit (acceptance) documents	03 weeks	20%
04	Trainings	02 weeks	10%
05	Delivery of maintenance services	01 year	05%

The contractor provided 1st Milestone report on 26.10.2011 (within time frame) but there were certain snags. The consultant removed the snags and USF accepted the report on 30.11.2011 and 15% payment amounting to Rs 8,948,582 was released. The 2nd milestone was required to be accomplished up to 10.12.2012 and 3rd up to 03.01.2012. The contractor offered 2nd milestone on 30.12.2011 which was not accepted and observations were issued on 25.01.2012. No force majeure occurred, therefore, penalty @5% of contract value per week as per clause 3.3 of agreement was required to be imposed and recovered. However, the contractor requested on 26.01.2012 that 2nd and 3rd milestone may be merged. Instead of taking action as per contract clauses, the management amendment the contract on 02.02.2012 which was as under:

“The time period for completion of contract shall be 17 months instead of 16 months, rest of the clauses will remain unchanged”. Milestones 2nd and 3rd clubbed and time of 11 weeks was changed to 15 weeks. Another amendment was made on 07.09.2012 wherein it was decided that the same shall be effective from 02.02.2012. The

amendment was as under:

“Time period for completion of contract shall be 21 months, in case of delay in completion of project a penalty of 0.5% of contract value, per week of delay shall be imposed”. Period of 2nd and 3rd milestone was changed to 31 weeks instead of 15 weeks already amended from original 11 weeks.

The above amendments showed that the total mechanism in the Company was non-transparent and leads to favoritism. The amendments were a clear cut disfavor to Company. Instead of penalizing, the contractor was obliged. Further, without the removal of snags, payment of Rs 15.00 million was made for 2nd and 3rd milestone vide Vr. No.17 of 12.09.2012. No budget was available at that date with the Company, as the budget was approved on 27.09.2012.

It was replied in January 2013 that as per USF audit methodology, in case of minor and non-service impacting snags/deficiencies, the milestone is declared achieved and payments can be released to the Service Providers and the Technical Auditors. Such minor snags are communicated to service providers for removal. Payment for subsequent milestone is made subject to rectification of reported minor snags by the service providers and their re-verification by the Technical Auditor and USF teams in the next Milestone. In this particular case, three MS were offered by PTCL on 3rd January, 2011. After technical audit, observations of the Technical Auditor were communicated to PTCL for removal of snags.

The reply was not acceptable because the record did not prove the view point of the company. The amendments were made only to oblige the concerned service provider as well technical auditor.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for facts finding and fixation

of responsibility for violation of contract conditions and non-transparent revisions/extensions in favour of M/S Oriater. Furthermore, responsibility for releasing the payments without removing deficiencies and availability of budget may also be fixed.

No progress was intimated till finalization of this report.

8.21 Irregular appointment as Manager Contracts (Legal) and payment of salaries - Rs 1.440 million

According to Rule 12 of Civil Service Regulations 1973, a candidate for initial appointment must possess the educational qualification and experience. USF Company advertised a job titled “Manager Contracts (Legal)” on 08.08.2011 with the following criteria. “Master degree in Law, Advocate High Court, 05 years’ experience in drafting and handling contracts and qualification can be relaxed for candidates having minimum 03 years’ experience especially in Telecom Laws/regulations”.

It was observed from the personal file of an employee that he was appointed as Manager Contracts (Legal) from 05.10.2011. The Interview Committee evaluation proforma proved that he had a little knowledge of Telecom Industry and contract law matters. His C.V also proved that he did not possess required skills as were required in the job advertisement. Furthermore, his Master’s Degree in Law from University of EAST London was not proved from the record. The officer had been placed in Tier-III of the Company with pay & allowances of Rs 110,000, Communication Allowance Rs 10,000 and fuel 300 liters. The appointment of the officer was not covered under the Company Policy and advertised criteria; therefore, it was not valid. The pay and allowances of Rs 1,440,000 with privileges and perks were irregularly paid during the tenure of appointment till date.

It was replied in January 2013 that the employee had done LLB

and had Masters Degree in Law from University of EAST London UK. He had completed his one year diploma in IT from Marblow College London (UK). He had also done Diplomas in Cyber Crimes Laws, Intellectual Property Rights Law, Corporate and Commercial laws and Human Resource Management from Skill Development Council (TUSDEC) / Trade testing board, Government of Pakistan. He had also a master degree in Mass communication from Arid Agriculture University. In presence of degree, marks sheet is not a requirement as degree is awarded after passing the said examination. By virtue of the degree, he fulfills all the criteria as per job advertisement

The reply was not acceptable as the record did not prove the contention of the management. Proof of degree was not provided to audit. Furthermore, the appointment was against the advertised criterion.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility for appointment against the advertised criterion.

No progress was intimated till finalization of this report.

8.22 Irregular ' appointment of Deputy Manager Technical (Coordination) and irregular Bonus and increments

According to job advertisement, post of Deputy Manager Technical (Coordination) was advertised with the following criteria "Bachelor/Master Degree in Electrical/Electronics/ Telecom Engineering of MBA with minimum 07 years post qualification experience".

It was observed that an applicant having a degree of MBA (Marketing) and simple BA was appointed as Deputy Manager Technical (Coord) from 01.01.2008 on 03 year contract basis in Tier-IV with salary of Rs 53,000 (31,800 basic pay, 15,900 HRA & 5,300

Utility Allowance). The appointment was irregular because the employee had not relevant qualification. Further, it was revealed from the personal file that the officer had lost TDRs valuing millions of rupees. MoIT had asked the CEO USF Company to take disciplinary action against the officer but a simple warning was issued. Furthermore, she was granted bonus for 2008-09 Rs 92,760 and annual increment of Rs 30% which enhanced the pay up to 87,995. The payment of bonus after disciplinary action was total violation of rules. The appointment criteria circulated in press was not fair because MBA Degree had no relevance in Technical Coordination and was against the criteria mentioned in the Administrative Structure which require B.E Electrical, Electronics & Telecom. She was appointment as Deputy Manager (Admn) from 19.07.2012 whereas she had no relevance experience and qualification required for the post.

It was replied in January 2013 that according to the CV and job advertisement criteria, the candidate was MBA degree holder as required in the job Advertisement. In addition she had relevant seven (7) years' experience in Telecom and Technical side. As far as the awarding of bonus and increment was concerned FY 2008-09, no such case of negligence was reported. The matter relates to the year 2010 and disciplinary action was taken on 1st July 2010.

The reply was not acceptable because the appointments were made against the advertised criterion and policy laid down in the Administrative structure of USF.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for fixation of responsibility for appointment against the advertised criterion as well laid down in the Administrative Structure. Responsibility also needs to fixed for allowing bonuses to the employee who was liable to be dealt with disciplinary actions.

No progress was intimated till finalization of this report.

8.23 **Irregular appointment as Manager Communication**

According to administrative structure of USF there exists no post of Manager (Communication); however, Manager Public Relations post exists. The qualification required for the post is Advance Degree in Journalism or Mass Communication with 05 years' experience at similar position as described in section 8.3.15.3 of Administrative Manual.

It was observed that a post of Manager Communication was advertised in press wherein qualification was deviated as MBA Marketing or Degree in Journalism. This was done only to oblige some favorites. Accordingly an applicant having MBA (Marketing) Degree was appointed against the post of Manager (Communications). The employee contract showed that the contract started from 13.08.2007 for 03 years period with salary of Rs 100,000 (60,000+30,000+10,000) plus privileges and perks. The form of acceptance showed that the officer had accepted the terms and conditions from 31.01.2008 whereas joining report from 13.08.2007. As the officer had accepted the contract from 31.01.2008, therefore, the payment from 13.08.2007 to 30.01.2008 was irregular. The appointment was totally irregular and fall under nepotism and against Company's own Policy.

It was replied in January 2013 that according to Agenda item No. 09, of 3rd Board Meeting dated 3rd May, 2007, CEO had been authorized by the USF Board to re-designate the Tier-III staff and below and to fix market based salaries and qualification criteria. The position of Manager Public Relations was modified as Manager Communication by the CEO who was a competent authority to do so. Furthermore, the draft of Employment Contract was under consideration at the time of her appointment, which was finalized and issued to all the employees in January 2008.

The reply was not acceptable because the appointments were made against the advertised criterion and policy laid down in the administrative structure of USF.

Audit requires that matter may be investigated by the Principle Accounting Officer as well as the Board for fixation of responsibility for appointment against the criterion laid down in the manual. It may also be ascertained what was the basis for enhancement of salary every year as there was no yard stick for annual increments in the company and CEO allowed the increments at his sweet will to the employees.

No progress was intimated till finalization of this report.

8.24 Irregular promotions without recruitment rules and required qualifications

According to Establishment Division O.M No.9/1/73-R.5 dated 22.08.1984, recruitment rules should be framed by the organizations. Further Establishment Division O.M No.6/2/2000-R.3 dated 06.05.2000 provides the framework for contract appointments in autonomous bodies, semi-autonomous bodies, corporations, public sector companies etc. owned and managed by Federal Government. Establishment Division D.O letter No. 10(3)81-CPI (Pt) dated 31.10.1982 and other instructions issued on this behalf states that promotion policy shall be framed and length of service defined.

It was observed that USF Company had promoted contract employees without any approved promotion policy, recruitment rules and service regulations. The promotions from Tier V to IV were made with service of 03 years and Tier IV to III (B-18 to 19) with 05 years' service. These promotions were considered irregular because the same were made without any approved rules/regulations and Departmental Promotion Committee proceedings and recommendations.

It was replied in January 2013 that USF Co has a very

comprehensive Performance Management Policy, which is approved by USF Co Board. According to this process Department Head/Line Manager can recommend promotion in Annual Performance Review which is subject to approval of the CEO. Promotions made were recommended by the concerned department head in annual performance appraisal and approved by the CEO, who is a competent authority. USF Co has also hired the services of external HR Consultancy Firm for drafting of HR Manual. The revised HR Manual of USF Co was also discussed in HR Governance Committee dated 27th June, 2012. This revised version of HR Manual is very comprehensive regarding promotions, career development etc.

The reply was not acceptable because the appointments were made without framing any recruitment rules, devising promotion policy and its approval from the Board as well GOP as required under the rules.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for facts finding and fixation of responsibility for promotions without framing recruitment rules and approved promotion.

No progress was intimated till finalization of this report.

8.25 Unjustified appointment of Manager Audit and payment of salaries Rs 6.762 million

According to Para 8.3.4.3 of Administrative Manual of USF and advertisement in paper on 12.07.2007, the required qualification for appointment as Manager Audit is “Advanced Degree in Economics, Commerce, Finance, Accounting, MBA in Finance and Management/ACMA/CA” with 05 years relevant experience and training in a Chartered Accountant Firm”.

It was observed that Manager Audit was appointed from

03.09.2007 with salary package of Rs 75,000 per month. The employee did not have relevant qualification and experience as required. He had completed CA (Foundation) only and was working as AO in B-17 in PTCL from 2005. The appointment was total disregard to Company Policy and Rules. Thus his appointment was in totally unjustified and payments of salaries of Rs 6,762,183 made from 03.09.2007 till date was irregular and required recovery. Detail of payments made is as under:

S.No	Description	Period		Amount (Rs)
01	Salary	03.09.2007 to 30.06.2008	75,000x10	750,000
02	Salary	01.07.2008 to 30.06.2009	88,500x12	1,062,000
03	Bonus	2007-08	--	90,000
04	Bonus	2008-09	--	141,880
05	Salary	01.07.2009 to 30.06.2010	114,235x12	1,370,820
06	Bonus	2009-10	--	160,523
07	Salary	01.07.2010 to 30.06.2011	132,790x12	1,593,480
08	Salary	01.07.2011 to 30.06.2012	132,790x12	1,593,480
TOTAL				6,762,183

It was replied in January 2013 that the employee was at C.A Final level and his long relevant and diversified experience qualifies him for the post. He has worked in PTCL (industry relevance) as Audit Officer where he independently managed the audit of various telecom regions (CTR, MTR, FTR) and special audit assignments.

The reply was not acceptable because the appointment was made against the advertised criterion and provisions of Administrative structure of the company.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointment against the criterion laid down in the manual. It may also be ascertained on whose recommendations the appointment of non-entitled person was made against the Company policy.

No progress was intimated till finalization of this report.

8.26 Irregular appointment of Company Secretary after the age of Superannuation and payment of salaries Rs 12.375 million

According to Establishment Division O.M # 2/48/84-ABC dated 23.01.1985, the age of Superannuation of all government servants should be 60 years and this should apply equally to government controlled corporations/autonomous bodies etc. and if such organizations have prescribed age beyond 60 years they were required to amend their recruitment rules and inform the Establishment Division of compliance. In case no communication is made it would be assumed that the age of superannuation, as prescribed in their rules, is 60 years. It is reiterated that no person should be allowed to be in employment without obtaining prior approval of Prime Minister. USF Administrative Manual annex-A also provides that the retirement age is 60 years.

It was observed from the Administrative structure Para 8.2.4 that G.M Law will act as Company Secretary. However USF advertised the job of Company Secretary in September, 2007 wherein it was prescribed that the candidate must be “a member of a recognized body of professional accountants, or a member of recognized body of corporate/Chartered Secretaries or being a law graduate”. The Company appointed an applicant as Company Secretary from 21.02.2008 whereas the candidate had joined on 23-01-2008. The candidate was a simple law graduate and the requirements of the advertisement were not fulfilled but appointed. Furthermore the person was 59 years of age at the time of joining, therefore, the contract should have been for one year i.e. age of 60 years but the contract for 3 years was made against the instructions of Establishment Division and deviated the advertisement criteria. The Company Secretary was placed under suspension from 27.05.2010 by the competent authority and the employee had left the charge of the post which means that the

employee had left the job. But the employee was not relieved and he continued to work as Company Secretary and was working till date (01.10.2012). The employee had attained the age of 63 years and 05 months (28.02.1949 to 30.09.2012). Thus the employment of the Company Secretary from 28.02.2009 was not covered under the rules .Furthermore, his appointment was not as per merit required in the job advertisement. Thus the payment of salary & allowances, privileges & perks was irregular and required recovery with fixation of responsibility for all irregularities in this case. The payments made so far were as under:

Period		Total Period (Months)	Salary (Rs.)	Amount (Rs.)
From	To			
28-02-2009	30-06-2009	04	250,000	1,000,000
01-07-2009	30-06-2011	24	262,500	6,300,000
01-07-2011	30-09-2012	15	300,300	4,504,500
Bonus 2007-08				75,000
Bonus 2008-09				190,000
Bonus 2009-10				305,865
TOTAL				12,375,365

It was replied in January 2013 that as per Administrative Manual of USF Co, Board is the competent authority to appoint Company Secretary. The recruitment and selection was done through HR Governance Committee in meeting dated 30th November, 2007 and 27th Board meeting dated 3rd January, 2008. Syed Hassan Shikoh joined as Company Secretary on 23-01-2008. The draft of Employment Contract was under consideration at the time of his appointment, which was finalized and issued in January 2008. It is apprised that the retirement age for USF employee is 65 years as per Gratuity Rules. Moreover, as the suspension order of the Company Secretary was withdrawn in the 23rdBoD meeting, therefore, the relinquishment and assumption of charge was void.

The reply was not acceptable because the appointment after the age of 60 years was not covered under the rules and provisions of the

Administrative structure of the company.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for facts finding and fixation of responsibility for appointment after age of superannuation without the approval of the competent authority. It may also be ascertained why the independent Company Secretary was appointed against the provisions of Administrative Manual.

No progress was intimated till finalization of this report.

8.27 Irregular and unjustified appointment as Manager Auction (Legal) and payment of salaries/bonus amounting to Rs 5.995 million

According to job advertisement published in papers on 31.10.2007, as well Para 8.3.11.3 of Administrative Manual of USF the required qualification for the post of Manager Contract is "Advance Degree in Law-Advocate High Court with 05 years' experience in drafting, handling negotiating contract. Experience in large scale contract administration and others".

It was observed that an applicant was appointed against the post of Manager Auction (Legal) who was only LLB with MA Political Science. He had not any relevant experience but appointed. Thus the appointment was irregular and unjustified. The payments on account of pay & allowances with perquisites were unjustified. He was appointed on 13.07.2007 whereas he had accepted contract terms from 29.01.2008. An amount of Rs 5,994,995 was paid on account of salary and bonus as detailed below:

S.No	Description	Period		Amount (Rs)
01	Salary	13.07.2007 to 30.06.2008	100,000x12	1,200,000
02	Salary	01.07.2008 to 30.06.2009	110,000x12	1,320,000
03	Bonus	2007-08	--	108,000
04	Bonus	2008-09	--	136,750

05	Salary	01.07.2009 to 30.06.2010	119,900	1,438,800
06	Bonus	2009-10	--	142,585
07	Salary	01.07.2010 to 30.06.2011	137,405	1,648,860
TOTAL				5,994,995

It was replied in January 2013 that the criteria for the post of Manager Auction published in the national dailies in the month of June, 2007. The applicant was selected keeping in view of his relevant educational qualification and professional experience required for the advertised post of Manager Auction. It is not out of place to mention here that the incumbent has acquired a vast experience of 23-year in the field of Law wherein 21-year as an Advocate High Court which is over and above the required professional experience.

The reply was not acceptable because the appointment was not covered under the rules, advertised criterion and provisions of the administrative structure of the company.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for appointment against the criterion laid down in the manual. It may also be ascertained as to what was the basis for enhancement of salary every year as there was no yard stick.

No progress was intimated till finalization of this report.

8.28 Irregular granting charge of other cadre posts

According to FR 9(4), Cadre means the strength of a service or a post of a service sanctioned as a separate unit. As per Establishment Division O.M No.6/2/2000-R.3 dated 06.05.2000, in case of contract appointments, standing instructions should be issued by the Administrative Ministry after consultation with the Chairman of Board, specifying such posts and the parameters governing appointment on contract basis against such posts.

It was observed that an applicant was appointed as Private Secretary to CEO from 01.02.2010. The employee designation was changed as PSO to CEO from 29.12.2011 which was within the cadre. He was posted as “Senior HR Officer” from 21.06.2012 in HR Cadre. The appointment as Senior HR Officer was not covered under the rules because there existed no provision in Company Manual for change of Cadre and no recruitment process as required under rules was observed. Therefore, the appointment as HR Officer was irregular.

It was replied in January 2013 that the applicant was appointed as Private Secretary and he has done MBA degree with specialization in HRM Ex-HR officer was on her annual leave and an officer of the relevant qualification was required in HR department. Therefore, the services of were transferred to HR Section in same tier group with no financial impact.

The reply was not acceptable because the change of cadre was not approved by the competent forum and there was no provision in the Administrative structure of the company.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointment by changing cadre without observing the procedures.

No progress was intimated till finalization of this report.

8.29 Irregular grant of charge of GM (Admn and HR) to Company Secretary

According to Para 8.2.5.3 of Administrative Manual of USF, the required qualification for GM Admn & HR posts is advanced degree in Public Administration.

It was observed that an employee who was working as Company Secretary with the age of nearly 63.5 years was given the

charge of post of GM Admn & HR from March 2012 by the CEO without the approval of the Board as the company secretary could not be appointed against such posts due to conflict of interest. The grant of charge was irregular because the same was neither approved by the Board nor endorsed by the Administrative Ministry as required under the standing instructions of Government of Pakistan.

It was replied in January 2013 that Company Secretary was given the temporary charge of GM Admin/HR by the competent authority with no financial impact. The post of GM Admin/HR was already advertised and hiring was under process.

The reply was not acceptable because the charge was not approved by the competent forum and not covered under the provisions of Administrative structure of the company.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointment of Company Secretary against the post of G.M Admn & HR without the approval of the competent authority.

No progress was intimated till finalization of this report.

8.30 Irregular appointment as Accounts & Audit Officer after the age of superannuation

According to Establishment Division O.M # 2/48/84-ABC dated 23.01.1985, the age of Superannuation of all government servants should be 60 years and this should apply equally to government controlled corporations/autonomous bodies etc. and if such organizations have prescribed age beyond 60 years they were required to amend their recruitment rules and inform the Establishment Division of compliance. In case no communication is made it would be assumed that the age of superannuation, as prescribed in their rules, is 60 years. It is reiterated that no person should be allowed to be in

employment without obtaining prior approval of Prime Minister. As per Annex-B of Administrative Manual the age of retirement is 60 years.

It was observed that an applicant was appointed as AAO from 27.07.2012 in the Company. The appointment was irregular because the employee had attained the age of superannuation on 01.01.2011 and was 61 years of age. Further, there existed no such post in the Fund as well Company and procedure for contract appointments was not followed. Thus the appointment and payment of salary was irregular.

It was replied in January 2013 that USF Co was governed by the Board of Directors. According to Gratuity Fund Rules of USF Company, which are approved by the Board of Directors, the retirement age for USF Co employee is 65 years. These rules were approved in the board meeting chaired by the honorable Prime Minister himself. As far as the existence of post was concerned the job description of Finance Officer was advertised and selected candidate having relevant experience of 34 years in the same field was appointed.

The reply was not acceptable because the appointment after the age of 60 years was not covered under the rules and provisions of the administrative structure of the company.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointment against the rules and policy of Company.

No progress was intimated till finalization of this report.

8.31 Irregular appointment as Deputy Manager Coordination

According to criteria advertised in press, the post of Manager

Coordination/Deputy Manager Coordination requires degree in Public Administration, Social Sciences/MBA is prerequisite with 05 years of experience in Coordination/Administration.

It was observed that two applicants were appointed as Deputy Manager Coordination from 16.06.2007 & 03.07.2007 respectively. Both were not fulfilling the criteria as one was deficient in experience whereas other did not have both relevant qualification and experience. Further both the employees were given the charge of Deputy Manager Coord (Tech) which required Technical Qualification but the officer had no such qualification. Thus the appointments were held irregular.

It was replied in January 2013 that the applicants had the requisite experience as required in the job advertisement. They were given the charge of Dy. Manager Coord (Tech) on basis of his Degree in M.Sc Physics with specialization in Digital Electronics. One employee also holds Masters degree in Computer Sciences (Networking). Furthermore, they were offered the salary package after negotiation. According to Agenda item No. 07 of 3rd Board Meeting, CEO has been authorized by USF Co Board to fix market based salaries and qualification criteria.

The reply was not acceptable because the appointments were made against the advertise criterion and provisions of Administrative structure regarding the appointments of the posts.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointment against the criterion laid down in the manual as well advertised. It may also be ascertained why a non-technical person was appointed against a technical post.

No progress was intimated till finalization of this report.

8.32 Irregular payment of salaries, allowances and perquisites and privileges -Rs 106.410 million

According to Finance Division (Regulation Wing) O.M No.F.1(1)Imp/94 dated 26.06.1999, the salaries, allowances and perquisites of supervisory and executive staff of public sector corporations, Autonomous/ Semi Autonomous organizations may be carried out by the respective Boards of Directors. Clearance from Finance Division would, however, be necessary.

It was observed that USF Company had not framed any pay and allowances structure as was applicable/available in other such organizations. The Company had divided the employees in I-VII Tiers and salary ranges fixed without any increments, stages etc. Further, TA/DA, vehicle monetization up to Tier III (Managers level B-19) and other such perquisites were decided by the Board or Chief Executive and were being paid regularly since the establishment of Company. These were required to be approved from the Finance Division as required under the rules. An amount of Rs 106,410,198 as detailed below was paid during 2011-12 on this account:

S.No	Description	Amount (Rs)
01	Salaries and benefits	93,626,880
02	Entertainment	617,692
03	Travelling	7,226,125
04	Vehicles fuel	4,939,501
TOTAL		106,410,198

It was replied in January 2013 that USF Co is run by independent Board of Directors, comprising both members from the government and private sector and is registered under the Companies Ordinance 1984. Therefore, the company does not come under the preview of government policy from time to time.

The reply was not acceptable because the Government rules & regulations are applicable on the company as the same is the state owned company. Furthermore, the salaries structure adopted was against the approved one in the Administrative structure.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for non-framing and got approving the salary structure, perks & privileges policy etc. from the competent forum.

No progress was intimated till finalization of this report.

8.33 Poor performance of Manager Internal Audit

According to Para 8.3.4.2 of Administrative Manual of USF, the Manager Internal Audit will be responsible as under:

- Review records of USF to assure compliance with USF Rules and contract.
- Apply professional auditing standards, methods and procedures to analyze and make recommendations concerning accuracy of accounting systems, managerial controls and operating procedures.
- Write clear, complete and concise audit reports, which include audit observations, findings and recommendations for corrective action.
- Assist Finance and Audit Committee of BoD.
- Cooperate and facilitate working of external auditors and Auditor General of Pakistan and determine nature and extent of error and fraud.

As per International practice, the internal audit is as follows:

- An independent and objective appraisal service within an organization.
- Internal Audit primarily provides an independent and objective opinion to the management on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organization's agreed objectives.
- Internal Audit also provides an independent and objective consultancy service specially to help line management to improve the organization's risk management and controls and governance.

It was observed that USF Company engaged Manager Internal Audit since 2008. The officer had neither acted as required by the Administrative Manual nor advised/assisted CEO. He had not framed any Audit Report since his appointment. He was performing the work of pre audit only by giving comments before payment i.e. date on bill missing, budget not noted etc. No concrete findings were developed whether the contracts were awarded as per rules, payments made after fulfilling codal formalities, and so on. He was required to assist the Audit by AGP but he proceeded on leave a day before the start of audit for the period during which AGP team would conduct audit. The grant of leave by the management was against the Company Policy and ethics. Further CEO had not taken any action against the officer for not performing the functions as required under the administrative structure.

It was replied in January 2013 that Manager internal audit has played very important and constructive role in strengthening the internal control system of the USF Company. He has actually built up the internal audit department from scratch and managed it for five continuous years as the only person in the internal audit department.

As far as the Annual leave of the Manager Internal Audit is concerned, USF has a mechanism to ask employees about the leave plan for a year in the month of each January. Manager Internal Audit has mentioned the leave at that time and no AGPR audit visit plan was in place in January 2012.

The reply was not acceptable because evasive. The manager had not performed as required in the Administrative structure as no report was available on the Internal Audit of the company. Furthermore, the employee had not acted as required in the company policy and rules.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for poor performance of the Manager Audit. It may also be probed who allowed the officer to proceed on leave during the period of audit.

No progress was intimated till finalization of this report.

8.34 Non achievement of targets by USF Company

It is a general practice and principle that each year management set targets and goals for the organization. In case of development works, the targets are fixed for completion of works so that the desired objects of the programs are achieved.

It was observed that USF launched major programs from 2007-08 onward i.e. Rural Telecommunication Broadband and Optic Fiber Cable in the underserved and un-served areas of Pakistan under the provisions of Telecom Re-organization Act 1996 and USF Rules 2006. None of the job was completed till date, despite the fact that the target dates set in the contract agreements had expired a long time ago. This had resulted into non benefit to the people of USF areas as considered before the start of programme and laid down in USF Policy.

It was replied in January 2013 that USF has signed 31 Contracts for provision of services in Rural Telephony, Broadband and Optic Fiber Programs out of which, complete targets in 14 projects have been successfully accomplished. Overall impact of the projects can be observed from the fact that out of a total of 53 Million targeted un-served populations, 26 Million have been served so far with USF Projects. Please note that the figure of population being served by USF Projects is much higher, as claimed by Service Providers. However, the figure of 26 Million is from projects which have been audited and verified by USF and its Technical Auditors.

The reply was not acceptable because the proper response to the audit queries was not provided and no evidence in support of reply submitted.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for non-achievement of targets.

No progress was intimated till finalization of this report.

8.35 Unauthorized expenditure over and above the budget

According to Rule 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriations. Further, Rule 106 *ibid* provides that a disbursing officer may not on his own, authority authorize any payment in exercise of funds placed at his disposal. Rule 95 *ibid* provides that savings should be surrendered.

It was observed that operational budget of Rs 226.653 million and programme grant of Rs 9,716.903 million was approved by the board. The MoIT released Rs 47.417 million for operational and Rs 1113 million approximately for programme grant for 1st quarter of the year. Due to non-release of grants the works could not be

accomplished. The record revealed that the Company had receipts of Rs 72.726 million during the year, and opening balance of Rs 509.081 million of 01.07.2011. The expenditure incurred against programme was Rs 1457.129 million against 1113 million and Rs 183.817 million on operating cost including capital expenditure. The expenditure over and above the release was not covered under the rules. Further the funds retained at the beginning of the year were not authorized because the same were required to be surrendered to Fund.

It was replied in January 2013 that USF Company has always made expenditures within its approved Budget and has never exceeded the budgetary provisions as approved from the Board. In FY 2011-12, USF Budget for the year was approved in the 25th BoD meeting held on Sep 22, 2011. The budget was subsequently ratified and adopted by the USF Policy Committee. Out of this approved amount, funds of only Rs. 1,159,751,000/- were requisitioned being the fund requirement of October & November 2011. Further releases were not requisitioned because the already available funds were still available with the company. The total spending of Rs. 1,640.946 (Rs 1457.129 million for program and Rs 183.817 million for operational expenses) was still well within the approved disbursement of Rs. 2,116.157 million as per the minutes of Policy Committee. Regarding, retention of funds at beginning of the year, it is clarified that USF Funds are not lapsable as per clause 33A of the Telecom Act. Furthermore USF Rules, Companies Ordinance 1984 and Income Tax Ordinance 2001 do not ban retention of funds at any year end.

The reply was not acceptable because the expenditure was incurred over and above the release of funds without the approval of the competent forum.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for incurring expenditure without the release of funds. It may also be

ascertained why the funds were not released as per approved budget.

No progress was intimated till finalization of this report.

8.36 Irregular appointment as Deputy Manager Technical (Coord)

According to job advertisement in press, the required qualification for the post of Deputy Manager Technical (Coord) is BSC/BE, Electrical, Electronics and Telecom Engineering.

It was observed that an applicant having qualification of Master in Computer Science was appointed as Deputy Manager Technical (Coord) from 31.12.2007. The appointment was irregular being against the criteria for the post. Thus the payment of pay and allowances, bonuses, privileges and perks from the date of appointment were irregular.

It was replied in January 2013 that as per qualification requirement of job advertisement he has a Masters degree in Computer Science (MCS) instead of Bachelor degree and full fills the qualification criteria as per the job advertised. Moreover, the required experience was 3 years, whereas, the applicant was having 10 years of experience at the time to interview. He was given preference due to his wide experience in Telecom and Technical side and MoIT in project management.

The reply was not acceptable because the appointment was made against the advertise criterion as well provisions of Administrative structure.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointment against the criterion laid down in the manual as well advertised.

No progress was intimated till finalization of this report.

8.37 Non transparent appointment as PSO to CEO

According to rules, new item statement is prepared and submitted with the budget for approval to the competent forum. In case of USF, Board of Directors is a competent forum with the concurrence of HRGC to approve the head count.

It was observed that a post of private secretary to CEO was approved during 2007-08 and one person was appointed against the post. The employee remained on the post up to 13.05.2012 and from 14.05.2012, a female was appointed afresh against this post by transferring the concerned employee from the post of PSO to Senior HR Officer.

It was further observed that paper examiner remarked on the paper of selected candidate as “not understandable” and not allotted marks but she was given 63/70 marks by the management. The scoring sheet was signed by Manager Auction and Contract (Legal) instead of G.M (P&T) who was member of the selection committee. The appointment was un-justified and non-transparent. Thus the payment of salary @ Rs 40,000/ p.m from 14.05.2012 with perks was paid irregularly.

It was replied in January 2013 that a written test was conducted for the initially short listing of candidates for interview. Final shortlisted candidates were called for interview based on scoring sheet (75 and above score). Panel Interview was conducted most competent and suitable candidate for the job was selected as PS to CEO. Interview rating sheets was also signed by GM P&T. Final selection was done by the CEO, who is a competent authority for such appointments.

The reply was not acceptable because the appointment was

made against the rules and the provisions of the Administrative structure. Approval of Board was also not obtained.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as Board for facts finding and fixation of responsibility for appointment against the rules and norms. It may also be probed who was responsible for nepotism and favoritism and appointing a candidate who was declared non-qualified for the post by the committee constituted for the selection of candidates.

No progress was intimated till finalization of this report.

8.38 Non transparent Reports of Technical Auditor

According to clause 5 of contract agreement signed between USF and M/s Bid Con for Technical Audit services of USF Broadband Project STR-I & clause 5 of contract agreement signed between USF and M/s People Logic Pakistan for Technical Audit services of USF Broadband Project HTR-I, the consultant will report the findings of audit of each milestone.

It was observed that the consultants submitted two reports on 1st, 2nd and 3rd milestone of PTCL for STR-I & HTR I to USF. The contents reported under the heading “conclusion” revealed that there were certain shortcomings/deficiencies which were required to be removed by PTCL. However, the punch lines of the conclusion were totally different from that of the contents of the reports. The punch lines were as “Project implementation milestones have successfully completed and audited in accordance with Subsidy Service Agreement (SSA).” This reporting was not fair and misleading which had resulted in deceiving USF to release the payment to service providers as well as Technical Auditors. However, the Company officers had not safeguarded the interest of the Company and released the payments without the fair analysis of the reports and action against the Technical

Auditor. Detail is as under:

S.No.	PDP No.	Description
01	513-13	Non transparent report of technical auditors (Project No.M/s Bid con for HTR-I.
02	533-13	Non transparent report of technical auditors (Project No.M/s Bid con for STR-I.

It was replied in January 2013 that Payments in STR-1 to PTCL were made for the Broadband connections provided only and no payments for any EBCs and CBCs have been made to PTCL as yet due to snags mentioned in TA's report. Furthermore, the shortcomings were reported to PTCL for rectification and removal. To address the same, several meetings were held with PTCL teams for which the rectification and snag removal work is in progress. It is pertinent to mention that payment to PTCL for all these EBCs and CBCs will be released once all snags/shortcomings are removed and verified by the TA. Similarly, payment for Milestone 04 will only be released once all reported and highlighted snags have been removed by PTCL and verified by technical auditor as well as USF.

The reply was not acceptable because the payments were made without removing the deficiencies. No proof regarding the contention made in the reply was provided in support of reply.

Audit requires that matter may be investigated by the Principal Accounting Officer as well Board for fixation of responsibility for recommending and releasing the payment to the service provider as well Technical Auditors without the removal of deficiencies. It may also be ascertained why an action was not taken against the Technical Auditors for poor & misleading reporting.

No progress was intimated till finalization of this report.

8.39 **Unauthorized appointments by violating rules**

According to Contract Appointments Policy of Establishment Division of 06.05.2000, the contract appointments in autonomous bodies shall be made by following advertisement and selection process through selection committees. Chapter 7 of Administrative Manual of the USF also endorses it. Further, as per budget guidelines, New Item Statement provides that how much new induction be made during the year.

It was observed from the budget details of 2011-12 that 11 posts were provided for new induction with present head count of 44. These 11 posts include 01 GM Law and his PA which was not hired. Remaining 09 posts were filled by issuing appointment letters upto December 2011 after following the requisite procedure. However, nearly 36 new inductions were made without approval of Board, HRGC recommendations, observing hiring process and budget. Hiring process was not adopted in most of the cases. Thus the appointments and payments were irregular and unauthorized.

It was replied in January 2013 that new inductions were made by the Ex-CEO keeping in view upcoming projects FY 2012-13. These posts were filled following the same practice as were adopted for previous appointments which was found according to rules by the audit.

The reply was not acceptable because the approval of the Board was not obtained for the creation of posts over and above approved by the Board through the budget estimates. Furthermore, all the processes of hiring were violated as the appointments were made at the sweet will of the CEO.

Audit requires that matter may be investigated by the Principal

Accounting Officer as well as the Board for fixation of responsibility for appointments against rules and procedures. It may also be ascertained who allowed CEO to make appointments at a large scale without the increase in the scope of the tasks of the Company during the period. The results of investigation by the NAB in this regard may also be provided to audit.

No progress was intimated till finalization of this report.

8.40 Non observance of standard terms and conditions of contract appointments

Establishment Division vide O.M No. F.10/52/95-R-2 dated 18.07.1996 has revised the standard terms and conditions of contract employment in all the organizations either controlled by GoP or under Companies Ordinance. As per Annex-A&B to Administrative Manual of USF the terms & conditions of contract employments are laid down which are similar to that of Establishment Division.

It was observed that the contract appointments were made against the approved format of the Company as well of the approved one by the Establishment Division. It was observed that there was no clause of probation period for contract appointments but USF had included in the contract agreements. In cases of new appointments, the confirmation was made on completion of probation period, however in some cases, the discriminatory behavior was adopted and no confirmation letter was issued. Termination of contract clause was not in accordance with the standard terms and many other variations were also observed.

It was replied in January 2013 that format of Employment contract, as described in Administrative Structure of USF Co, was approved by the USF Board in its 3rd Board Meeting dated May 3 2007, Clause “Probation Period” and “Notice of Termination” are

already mentioned in prescribed Employment Contract format in Administrative Structure. Furthermore, according to Agenda Item No. 06 of 5th Board Meeting, CEO USFCo has been authorized to take all necessary and incidental actions for the implementation of the human resource policy of the company.

The reply was not accepted because the terms & conditions laid down in the Administrative structure were the same as approved by the Government but the terms & conditions of contract agreements of employees in vogue in the company were against the approved one.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for non-adoption of prescribed format of contract appointments. It may also be ascertained who allowed CEO to use a discriminatory conditions for the contract appointments and non-issuance of confirmation letter to all those who had completed satisfactorily the probation period.

No progress was intimated till finalization of this report.

8.41 Irregular appointment as Deputy Manager

According to New Item Statement of 2011-12 of USF Company approved by Board of Directors through budget statement, there was no position approved as Deputy Manager CEO Secretariat. The hiring procedure has been provided in the Administrative Manual which provides that the recruitments are made after advertisement, selection committee proceedings and observance of Quotas.

It was observed that an applicant was appointed as Deputy Manager CEO Secretariat form 30.05.2012. The appointment was made without any examination; Departmental Selection Committee proceedings as no interview selection proforma were approved by the Committee. No Committee was constituted as per requirements of USF

Administration Manual. The appointment was made without the availability of budget and approval of Board for the creation of the post, therefore, the payment of contract pay of Rs 60,000 p.m with perks was not covered under rules and required recovery and termination of services. No recruitment criterion was circulated and the file was deficient with regards to CV, Professional and Educational qualification certificates. He was a simple graduate.

It was replied in January 2013 that applicant was appointed as Deputy Manager against the advertised job by external recruitment agency Rozee. Pk. As per job Ad, the required qualification is Graduation level. Furthermore, he hired within approved operational Budget FY 2011-12 and according to Agenda item No. 07 of 3rd Board Meeting, CEO has been authorized by USF Co Board to fix market based salaries and qualification criteria.

The reply was not acceptable because the appointment was made by violating all the rules and approval of the Board was not obtained for the appointment and creation of post.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointments against rules and procedures. It may also be ascertained who allowed CEO to make appointment without the increase in the scope of the tasks of the Company during the period and approval of the Board. The results of investigation by the NAB in case of irregular appointments may also be provided to audit.

No progress was intimated till finalization of this report.

8.42 Non safeguarding USF interest in project “Establishment of ICT in Cadet College Petaro”

According to Rule 19 of GFR Vol-I, the terms of a contract must be precise and definite and there must be no room or ambiguity

or misconstruction therein. As far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

It was observed that a contract agreement was signed between USF and Commandant Cadet College Petaro (CCP) for Establishment of Model ICT facilities in Cadet College. USF will pay subsidy of Rs 24.00 million for the job. Cadet College will accomplish the task by following PPRs 2004. In clause 7, it was provided that Cadet College Petaro shall maintain accurate accounting records and USF shall have access to such records at any time. USF may cause to be carried out the audit of accounting records of CCP. CCP shall undertake audit of the funds received for the special project from an "A" rated Chartered Accountant Firm. USF had not undertaken any audit and not demanded any audited accounts from CCP. Furthermore, as per Rule 26(6) of USF Rule 2006, all assets procured for the implementation of the project from the funded amount shall be deemed to be the property of the Federal Government. As per amended 2007, the subsidy amount shall be subject to lien exercisable by the Federal Government in accordance with sub Rule 3 of Rule 29 and contractor shall execute documents to substantiate the lien or supports its enforceability. In this case USF had neither obtained property rights nor lien documents to save USF/GoP. This action was disfavor to Company and tantamount to violation of rules.

It was replied in January 2013 that USF had access to the financial records of Cadet College Petaro (CCP) during the entire term of the Project. CCP has the obligation to carry out audit of funds received, if so required.

The reply was not tenable because no audit was carried out as per the terms of the agreement. No proof was provided in support of reply.

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for facts finding and fixation of responsibility for violation of rules and non-safe guarding the interests of GOP & Company.

No progress was intimated till finalization of this report.

8.43 Excess payment of salaries over and above approved salaries - Rs 41.667 million

According to Para 8.5 of Administrative Manual of USF the salary package of CEO has been decided as Rs 255,000 (Basic pay Rs 150,000, HRA Rs 75,000, Utility & Medical 10 % of basic pay). However as per Finance Division (Regulation Wing) O.M No F.3 (7).R/98 dated 18.08.1998, the professionals appointed from the private sector on contract basis against the position of Chief Executive shall be allowed salary and perquisite in MP-1. The terms & conditions may be negotiated within the scope of the salary and perquisite package. The negotiated terms in each case are submitted to authority competent to make such appointments for formal approval. No other benefit would be admissible. The minimum package of MP-1 is Rs 279,750 and maximum Rs 357,000 from 11.04.2007 onward.

It was observed that CEO of USF Company was appointed from 02.05.2007 and paid a salary package of Rs 1 million per month with other perquisites and privileges. The salary was enhanced to Rs 1.1 million per month from 01.07.2009. The period of appointment was expired on 01.05.2010 but the job continued till the appointment of new CEO on 16.12.2011. New CEO, joined from 16.12.2011 and he was paid salary @ Rs 1 million per month. The payment was out of the scope of MP-1 maximum salary. This resulted into an overpayment of Rs 41,666,637 to both the officers as calculated below:

Particulars	Period	Months	Rate due	Amount due	Rate paid	Amount paid	Difference
Old CEO	2.5.20 to 30.6.20	2	375,000	750,000	1,000,000	1,966,637	1,216.637

Audit requires that matter may be investigated by the Principal Accounting Officer as well as the Board for facts finding and fixation of responsibility for violation of rules and non-safe guarding the interests of GOP & Company.

No progress was intimated till finalization of this report.

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Rule 97 ibid provides that expenditure for which no provision has been made in the original budget estimate should not be incurred.

It was observed from the contract agreement with Cadet College that USF agreed to pay subsidy of Rs 24.00 million for ICT facilities. However, the payment vouchers revealed that payment of Rs 3,095,607 over and above the agreed amount was made to Cadet College which was not approved in the budget.

It was replied in January 2013 that additional requirements arose during the execution of the project and these were in addition to the original BOQ. Revised BOQ was presented to the BOD who approved the same and then additional expenditure was made accordingly.

The reply was not acceptable because the approval of the Board was not provided. Furthermore, the expenditure over and above the approved project was not covered under the rules & policy of the company.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for excess payment over and above the approved by the Board.

No progress was intimated till finalization of this report.

8.45 Non observance of procedure for appointment of CEO of USF

According to Establishment Division's O.M No.6/4/96-R.3 dated 06.06.2002 read with O.M dated 10.05.1997, the procedure for appointment of Chief Executive of Autonomous and Semi-Autonomous bodies under the Federal Government is as under:

“Selection Board headed by the Minister Incharge will consider and recommend from a penal of three names for each vacancy. Provided that where the charge of Minister is held by the Chief Executive (Prime Minister) the Selection Board shall be headed by the

Secretary of the respective Ministry and Prime Minister will be approving authority”.

It was observed from the personal file of CEO that Prime Minister/Chairman of USF Board of Directors approved the appointment as CEO. There was a gap in the process as the required selection committee was not constituted and no recommendation of penal as quoted in the order sheet was proposed by the Committee. Further, as per para 3 of the appointment letter, the following was ordered by the Principal Secretary of the Prime Minister “Terms and conditions of his appointment be submitted separately.” However it was noted that new CEO took the charge on 16.12.2011 whereas the orders of appointment were issued by the Company Secretary on 28.12.2011 unauthorizedly. The terms and conditions laid down in the appointment letter were not approved from the appointing authority as required in para 3 of the appointment letter. The appointment letter showed salary of Rs 1 million rupees per month, with 3000 cc Toyota, Prado, Land Cruiser, 500 liters petrol and other perks and privileges. The salary, vehicle and petrol limits defined in the administrative structure of USF were 1600cc vehicle, salary of Rs 235,000 p.m with 300 liters petrol. Thus the conditions prescribed in USF letter issued by Company Secretary were total disregard of Company Policy as well Prime Minister Secretariat orders.

It was replied in January 2013 that HR Governance Committee conducted the interviews and recommended three suitable candidates to the Chairman /Minister In-charge Prime Minister USF Co Board. Chairman /Minister In-charge Prime Minister of the USF Co Board also conducted the interview of final short listed and recommended candidates by the HRGC. Furthermore, terms and conditions of CEO were brought up in HR Governance Committee meeting and approved by the BoD in its 26th Board Meeting.

The reply was not acceptable because approval of the

competent authority for appointment as CEO ie Prime Minister was not obtained. Furthermore, the appointment terms & conditions were not approved by the competent authority.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for non-observance of procedure for appointment. It may also be ascertained who allowed Company Secretary to issue office orders for the terms & conditions of CEO without the approval of the appointing authority.

No progress was intimated till finalization of this report.

8.46 Un-necessary recruitment without approval of Board and Budget

According to rules, every year New Item Statement is prepared and submitted with budget for approval so that the required increase in establishment may be approved through budget estimates.

It was observed that the Company had sanctioned strength/Head Count 44 up to 2010-11. The Board approved hiring of 11 employees including 01 GM, 02 Managers, 03 Engineers, 01 HR person, 01 PA to GM, 01 receptionist and 02 drivers. The management of USF hired 01 Manager, 01 receptionist and 07 Engineers by utilizing the posts of driver, PA & HR person. Thus 09 posts were filled. Posts of GM Law and Manager Special Projects were not filled. However, it was astonishing to note that after the appointment of new CEO, a flood gate of appointments was opened. Thus the head count was 53 (41 Executive and 12 Non Executive) but 04 employees resigned/left the organization and 05 junior engineers were terminated by new management. However, the new head count was 86 (77 present+04 resigned+05 terminated) which means that 33 new inductions were made. There was no increase in the current projects which were going on since 2008 till 2011. Thus the inductions at such

a huge level were totally unjustified. The Recruitment Policy for autonomous bodies notified by Establishment Division D.O No.10(1)41-CP-1 dated 01.01.1992 wherein it was categorically mentioned that regional/Provincial quota as applicable in Federal Service would be applicable but not observed.

It was replied in January 2013 that new inductions were made by the Ex-CEO keeping in view upcoming projects FY 2012-13.

The reply was not acceptable because the approval of the Board was not obtained for the creation of posts and appointments.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for fixation of responsibility for appointments against rules and procedures. It may also be ascertained who allowed CEO to make appointments at a large scale without the increase in the scope of the tasks of the Company during the period. The results of investigation by the NAB in this regard may also be provided to audit.

No progress was intimated till finalization of this report.

8.47 Irregular transfer/sale of vehicles to employees and loss Rs 2.363 million

According to International Accounting Standards there are two methods for recognition of value of asset viz. Cost Model and Revaluation Model. The Revaluation Model provides that fair value of asset can be measured at the revalued amount, being its fair value at the date of revaluation less subsequent accumulated depreciation and subsequent impairment losses. This means that the asset value be determined from the market value of asset on the date of sale. Cabinet Division vide O.M No.6/7/2011 CPC dated 12.12.2011 has categorically clarified that evaluation of price of vehicle be made on both the formulas as well as, the minimum evaluation fixed for 1000cc

and 1300cc cars. The depreciated price which is on higher side be adopted as reserve price.

It was observed that USF provided Company maintained vehicles to its General Managers and Managers. The policy provided showed that the employee could purchase the vehicle after 03 years at the depreciated price. This policy was required to be approved from the competent forum but was not done. However, USF handed over 04 vehicles at the depreciated price without keeping into consideration the fair market value of the vehicles. Thus the Company was put into loss in giving the vehicles and further purchasing of new cars. The details were as under:

S.No	Vehicle No & model	Purchase price	Sale price	To whom
1.	MB-309 (2007) Toyota GLi	981,000	180,210	GM (Finance)
2.	MB-308 (2007) Toyota GLi	981,000	180,210	GM (P&T)
3.	MW-440 (2008) Cultus	631,352	197,900	Manager (Auction & Legal)
4.	MW-441 (2008) Cultus	631,352	313,802	Manager (G/S)
TOTAL		3,224,704	872,122	

Further to above, the vehicle MW-441 had a major accident in 2011 for which USF had incurred Rs 373,545 on repair and payment made on 15.07.2011. Moreover, after the handing over of these vehicles, 03 new Cultus cars at a cost of Rs 2,775,000 were purchased.

It was replied in January 2013 that according to the company policy "after completion of three years contract and vehicle period the employee may be allowed to purchase the car remained in employees use for two years at 20% above the written down (depreciated) value appearing in the books of accounts.

The reply was not acceptable because the policy was required to be approved by the GOP as the funds with the company were public funds. The handing over of vehicles on the depreciated value was not

covered under the rules.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for allowing the purchase of vehicles at depreciated value instead of fair market value. Furthermore, approval of the policy from the competent forum may be provided to audit for examination.

No progress was intimated till finalization of this report.

8.48 Unjustified payments to Technical Auditor M/s Technology at Work -Rs 4.135 million

According to clause 5.2 and Annex-E of contract agreement signed between USF and Technology at Work, the payment schedule and requirements are determined.

It was observed that the Technical Auditor was appointed for technical audit of Broadband GTR at a total cost of Rs 7,951,500 vide GTR-1/2009 dated 05.08.2011. He was appointed to audit the milestone wise progress of 3 service providers viz. PTCL, World call and Wateen. The TA had to submit a detailed report of technical audit to USF so that the subsidy amount demanded by the service provider be released according to verification of achievements. It was observed from the record that the Technical Auditor has submitted satisfaction certificates without pointing out any discrepancies and no detailed reports were submitted as the other Technical Auditors were providing to USF. However, it was astonishing to note that the TA was paid an amount of Rs 4,134,780 as detailed below:

Service Provider	Stage of payment	Certificate issued	Total/contract payment	Payment made	%age
PTCL	4 th Milestone complete as per S.P	Audited but no report	2,783,925	1,669,815	60%
World	-- do --	-- do --	3,578,175	2,146,905	60%

Call					
Wateen	1 st Milestone complete as per S.P	MS-I audited	1,590,300	318,060	20% Advance
TOTAL				4,134,780	

USF had released the payment of PTCL and World Call for the Milestones claimed on wrong certification by Technical Auditor without any detailed reports of TA. USF had deputed its technical teams for input about the work of Service Provider and certification of T.A but no report was provided in this regard. The total payments released to Service Provider were as under:

Service Provider	Total contract value	Milestones achieved	Payment made	%age
World Call	481,415,250	04	385,132,200	80% up to 3 rd MS
PTCL	394,283,250	04	229,562,950	58% up to 3 rd MS
TOTAL			614,695,150	

It was replied in January 2013 that no payments had been made to Service providers and/or the technical auditor against milestone 4 as given in the first table of the above Para. There was no wrong certification. The payments that had been released were done so after obtaining the relevant reports and completing all formalities as per provisions of SSA and after obtaining audit reports from technical auditors. No Payments to technical auditors or the service provider was made just on the basis of TA certification.

The reply was not acceptable because no proof in support of reply was provided. The payments were made without the proper investigation as required in the rules/policy and agreements.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of

responsibility for allowing payments to the service provider & Technical Auditor without the rectification of deficiencies. Responsibility for not taking action against the Technical Auditor for poor audit/non performing the job as per agreement may also be fixed. The TA may be black listed/debarred from further jobs in the Company.

No progress was intimated till finalization of this report.

8.49 Loss to USF due to damage of vehicle Rs 2.700 million

It was observed that a vehicle MV-796 (Double Cabin) was procured in June 2008 at a cost of Rs 2,700,000. The record revealed that the vehicle had a major accident and damaged badly. On the scrutiny of log book and other papers, it was noticed that the log book was silent about the movement of vehicle. However, the Insurance claim lodged by the Company to NICL revealed that the vehicle met with accident near Hassanabdal. There was no written proof for movement of vehicle. NICL had accepted the claim of Insurance for Rs 2000,000 but the same was conditional and not received. No accident report was lodged and also no inquiry conducted. Thus the Company was put into for loss Rs 2,700,000.

It was replied in January 2013 that evidence regarding movement of vehicle had already been provided to Audit team. As the vehicle was comprehensively insured and NICL had accepted and approved the claim and the loss voucher had been issued by them and the amount has been deposited in the bank.

The reply was not acceptable because the proper inquiry was not held for the movement and accident of the vehicle.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of

responsibility for allowing the vehicle to move outside Islamabad. The loss may be made good from those at fault.

No progress was intimated till finalization of this report.

8.50 **Unjustified Termination of Services of 04 Engineers and one Deputy Manager**

According to Establishment Division O.M No. 31/64-86-R-3 dated 20.04.1987, the Law Division has advised that services of an employee cannot be terminated without notice and without assigning reasons. Furthermore, as per Schedule A & B of Administrative Structure of USF the termination cannot be made without one month's notice.

It was observed from the record that 04 Engineers and one Deputy Manager were terminated without assigning any reason. In the Contract Agreements it was provided that one month's notice on either side or payment of one month's pay in lieu thereof should be observed for termination of contract. But this clause was not observed. Thus these employees were deprived from their legal rights. This action leads to unfair practices in the company.

It was replied in January 2013 that under Clause "Probation Period" and "Termination of Contract" Offer letter/Employment Contract, employee under probation period can be terminated at any time without assigning any reason or compensation. All the four (4) Engineers and one Deputy Manager were on probation at the time of termination. In most of the cases, warning letters were already issued to them due to their unsatisfactory performance. They were terminated according to agreed terms of their employment.

The reply was not acceptable because the termination was not made as per rules and the terms of the contract agreements. The

contract agreements were replaced by the concerned after the termination of the employees only to deceive the authorities.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for irregular termination of services of the employees without following the procedure and rule provisions

No progress was intimated till finalization of this report.

8.51 Unwise decision to shift USF to PTET Tower causing extra burden of Rs 28.339 million

According to Finance Division O.M No.F.15(13)-R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the Autonomous/Semi-Autonomous Bodies and Corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific order of the Government.

It was observed that USF Company offices were located at 5th Floor, HBL Tower since its creation. The covered area available was 6200 sq.ft. for the whole office including CEO Secretariat. The file revealed that MoIT desired that USF should shift to PTET Building and decided that rent @ Rs 120 per sq.ft. be paid. USF management proceeded to hire the two floors 16th and 17th having covered area of 19676 sq.ft (useable) but the total area to be hired would be 34981 sq.ft. The remaining area over and above 19676 sq.ft was not useable and USF had to leave it spare but the rent of the whole area either useable or otherwise had to be paid. USF forwarded a contract agreement to PTET management for signature but the same was yet to be received back. The notable things were as under:

Present area of USF in HBL tower was 6200 sq.ft and the proposed hiring as per contract agreement was 34,981 sq.ft which was 464% more than the present space. This large area was not justified in any way. 17th floor area was 17781 sq.ft where CEO Secretariat was to be established with covered area of 9325 sq.ft (out of useable 19676 sq.ft on both floors) which was totally unjustified. Its detail is as under:

CEO office with Main Conference Room	=	1800 sq.ft
CEO secretariat	=	225 sq.ft
Bath Room	=	100 sq.ft
Conference room	=	7200 sq.ft

Furthermore, the advertisements were published in papers again and again for provisioning, partitioning and supply of furniture. The Procurement Committee finalized the bids on 21.06.2012 and declared M/s A/XS International lowest with a bid amount of Rs 28,267,000 but the same was not approved and new tender was published on 12 & 27 July 2012 again for the same task which showed that someone was interested to award the work to another bidder.

The shifting of USF Company at PTET Tower with annual rent of Rs 37,339,480 (Rs 37 million) against the present rent at 5th floor, HBL Tower Rs 9 million was not justified which resulted into extra burden of Rs 28,339,480 (37,339,480 - 9,000,000). Further, USF had to incur nearly Rs 30 million on Establishment of offices in that building. This was not a fair and wise decision.

It was replied in January 2013 that estimated expenditure to be incurred on PTET didn't justify the shifting that's why shifting was not made.

The reply was not acceptable because the justification for holding all the processes were not provided. Furthermore, the reasons for planning to shift to a building with an extra rent of more than rupees 28 million per year were provided.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for hiring a space which was not the requirement of the Company. It may also be probed why tenders for furnishing were called again & again and cancelled.

No progress was intimated till finalization of this report.

8.52 Loss to USF due to closing Malakand Rte's Programme - Rs 62.030 million

A contract agreement was concluded between USF and Telecom Pakistan for provision of telecom services. The contract was signed on 04 Oct. 2007 for Rs 310,148,725. According to section 6.01 of contract agreement Telenor provided a bank guarantee equal to 40% amounting to Rs 124,059,490. USF paid mobilization advance of Rs 62,029,745 on submission of Bank guarantee. The project could not continue due to continuous Force Majeure because of worst law and order situation in the area. USF Company was not bound to pay for the job done for the first milestone by Telenor as the contract was silent. Law Division opined that USF and Telenor might sit together and termination agreement be signed. No termination agreement was signed till date. USF requested Bank for encashment of Bank guarantee but the same was not en-cashed.

It was replied in January 2013 that after the finding of the Law Division dated 26th of January, 2012 USF drafted a termination agreement by its legal experts, on 28th February, 2012 and shared it with Telenor Pvt. Ltd. Unfortunately drafted termination agreement could not be finalized between the parties and before the expiry of Bank Guaranty USF requested the Bank Manager for encashment of the Bank Guaranty to the extent of 20% mobilization advance already given to the Telenor. That upon said request M/s Telenor Pakistan Limited got stay order from Islamabad High Court.

The reply was not acceptable because the service provider approached court due to negligence of the company management.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for non-encashment of bank guarantee & non signing of termination agreement.

No progress was intimated till finalization of this report.

8.53 Unjustified payment to M/s Optiwave -Rs 1.755 million

A contract agreement was signed between USF and M/s Optiwave for technical Audit of Mansehra RTE'S programme. The cost agreed was Rs 8,773,400 which was to be paid as per scheduled given in the contract. Accordingly 20% mobilization advance and 20% payment was made for 1st & 2nd milestones. The service provider M/s PTCL reported after the 2nd milestone that further work could not be accomplished due to certain reasons and requested to close the project. Board in its 26th meeting resolved that change in scope of work be made and terminate the contract with PTCL on the lines of Malakand after receipt of advice of Law Division. USF made payments to PTCL upto 2nd milestone on certifications of Technical Auditors whereas there were certain discrepancies in the work. The Technical Auditors were required to be paid upto 2nd milestone certification in case of proper reports. But no proper reports were on record. The Technical Auditors lodged a claim of Rs 1,754,680 on 20.08.2011 for 50% payment of 3rd & 4th milestones each due to force majeure on the plea that final report was submitted which was made on 24.11.2011. This payment was not justified because the Technical Auditors had already received payment upto the work executed by him.

It was replied in January 2013 that no payment to the technical auditor M/s Optiwave (Pvt) Ltd was made for the milestones (MS03 &

MS04). Payments to M/s Optiwave were made only for Milestones 01, 02 and Project Final Report only, as per contractual obligations in accordance with the rules and regulations.

The reply was not acceptable because the record proved the 50 % payment of 3rd & 4th milestone without observing the formalities as agreed in the agreement.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for payment to Technical Auditor for the job which was not done by him.

No progress was intimated till finalization of this report.

8.54 Irregular payment to M/s World Call -Rs 628.577 million

According to contract agreement signed between USF and M/s World Call, payments will be made in equal 05 installments including one as Mobilization Advance (20%). Mobilization Advance was paid during 2009-10. First Milestone payment of Rs 157,144,250 was made during 2010-11 and payment of 2nd & 3rd Milestone Rs 314,288,500 was made on 29.06.2012. Thus the total payment of Rs 628,577,000 was made out of total agreed amount of Rs 785,721,250. The release of payment was considered irregular for all the Milestones because the Technical Auditor had raised many observations and showed that the service quality was so poor that 30% subscribers were going to quit from World Call network. The Technical Auditor work was also not satisfactory as the stereo type comments/observations were made as evident from the reports.

It was replied in January 2013 that achievement of 4thMS means that 100% Targets have been met and have been retained by the SP for minimum 90 days. The Audit Prerequisite data is only accepted

by USF when the 90 days criteria is met. This data is supported by billing information and usage log/history and is further verified during F2F and RQoS tests. Further, Performance Bond of the SP is retained for a period of 5 Years by USF (as per SSA) to ensure that the targets are also retained for the same period of time. The retention will be verified during the monitoring phase when all 4 MS are implemented and completed.

The reply was not acceptable because the payment was made without observing the terms & conditions of the agreement. Furthermore, the payment was made without the removal of all the deficiencies as pointed out by the technical auditor.

Audit requires that matter may be investigated by the Principal accounting officer as well Board for facts finding and fixation of responsibility for allowing payments against the contract clauses and non-satisfactory work.

No progress was intimated till finalization of this report.

8.55 Receivables increased from PTA on account of APC, USF and Spectrum Fee as on June 30, 2012 -Rs 1,299.232 million

According to Rule 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly accessed, realized and duly credited in the Public Account. Further Rule 28 of GFR Vol-I stipulates that no amount due to Government should be left outstanding without sufficient reason.

In violation of the above provisions of Rule, PTA has not transferred an amount of Rs 65,384,413,113 in the account maintained by MoIT on account of APC, USF and Spectrum Fee at the close of June 30, 2012.

The breakup of this amount is as under:

S.No	Description	Amount as on 30.06.2011	Amount as on 30.06.2012	Increase
01	Access Promotion Charges (APC)	8,879,292,235	9,063,090,861	183,798,626
02	USF Contribution	1,345,068,637	2,460,501,625	1,115,432,988
03	Spectrum Fee	53,860,820,627	53,860,820,627	--
TOTAL		64,085,181,499	65,384,413,113	1,299,231,614

The amount has been piled up from Rs 64,085,181,499 to Rs 65,384,413,113 during the year. Thus the receivable has increased up to Rs 1,299,231,614 during the year 2011-12.

It was replied in January 2013 that the violation has been observed on the part of PTA as the Authority was bound to credit the amount received in respect of USF/APC and Spectrum to the Federal Government i.e. MoIT. The Ministry has made concrete efforts and taken steps to realize said amount.

The reply was not acceptable because the concrete steps were not taken to recover the amount.

Audit requires that the matter may be taken up at appropriate level for recover of outstanding amounts. The steps taken in this regard may be provided to audit.

No progress was intimated till finalization of this report.

8.56 Receivables increased from Telecom Operators on account of APC, USF and Spectrum Fee as on June 30, 2012 -Rs 9,447.321 million

According to Rule 26 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly accessed, realized and duly credited in the

Public Account. Further Rule 28 of GFR Vol-I stipulates that no amount due to Government should be left outstanding without sufficient reason.

In violation of the above provisions of Rule, an amount of Rs 50,576,943,245 has not been received in the account maintained by MoIT from Telecom Operators on account of APC, USF and Spectrum Fee at the close of June 30, 2012. The breakup of this amount is as under:

S.No	Description	Amount as on 30.06.2011	Amount as on 30.06.2012	Increase
01	Access Promotion Charges (APC)	18,332,266,619	27,719,036,245	9,386,769,626
02	USF Contribution	2,343,990,782	2,404,542,094	60,551,312
03	Spectrum Fee	20,453,364,906	20,453,364,906	0
Total		41,129,622,307	50,576,943,245	9,447,320,938

The amount has been piled up from Rs 41,129,622,307 to Rs 50,576,943,245 during the year. Thus the receivable has increased up to Rs 9,447,320,938 during the year 2011-12.

It was replied in January 2013 that as per section 3 (4) of the USF Rules, 2007, the Authority shall monitor and enforce the obligations of the relevant licensees to make the USF contributions in a timely and proper manner. Therefore, PTA acts as an agent on behalf of the Ministry of IT to book receivables and enforce the payment of contributions due from licensees (i.e. the operators). The main reason for the increase in amounts of receivables especially in the case of APC is due to the fact that most of the contributors have gone to courts on the matter of APC contributions, challenging the APC regime. PTA being the main defendant of all the allegations is now in litigation against such operators. Till the conclusion of the court cases, the amount receivable from Telecom Operators cannot be realized officially or otherwise.

The reply was not acceptable because the MOIT had not taken steps to minimize the receivables.

Audit requires that the matter may be taken up at appropriate level for recover of outstanding amounts. The steps taken in this regard may be provided to audit.

No progress was intimated till finalization of this report.

8.57 Irregular surrender of amount to FBR Rs 211.411 million

The income of the Federal Government is exempted from tax under Section 49(1) of the Income Tax Ordinance, 2001. The Universal Service Fund established under section 33 of Telecom Re-Organization Act was administered and controlled by the Federal Government i.e. Ministry of IT. . Therefore, USF is neither taxable in the hands of MoIT nor is a tax payer of RTO.

It was observed from the accounts that NBP had allowed to FBR to take an amount of Rs 211,411,329 on account of tax from the amount available with the bank on account of USF. This payment by the bank without the permission of the client was not covered under the rules. The steps be taken to recover the amount from bank or FBR may be intimated.

It was replied in January 2013 that the Fund accounts with NBP have been maintained from 2006. Not a single rupee of tax on the said (exempt) Funds had ever been allowed to NBP for offering tax deductions to FBR. The FBR at each year end attempted to mark the Fund account taxable but it could not happen due to active involvement by MoIT. In the recent case, the NBP was again restrained from allowing the tax authorities for deduction of taxes from Fund accounts. This year (i.e. 2012) NBP not only offered the confidential account information to FBR (in spite of the fact that MoIT

instructed the Branch Manager in meetings, not to share the information) but also surrendered the account for tax deduction. Matter was taken up with the bank management.

The reply was not acceptable because no action was taken against those who were found responsible for this tax deduction.

Audit requires that matter may be investigated for fixation of responsibility for wrong deduction of tax and matter may also be taken up with FBR for refund of the amount.

No progress was intimated till finalization of this report.

8.58 Irregular investment of funds -Rs 40,822 million

According to Rule 7 of USF Rules 2006, the fund amount shall be invested in the Government Securities. MoIT constituted a Policy Committee headed by the Minister Incharge mandated to make investments after observing the provisions of rule-7 and guidelines provided in the Policy Committee guidelines

MoIT constituted a sub-committee in the light of rules for seeking the best opportunities and make recommendations for investment to the committee. It was, however, observed that the Director Telecom instead of calling rates of investment in T-Bills as per approved procedure contacted on phone with the banks and ordered to make investment of Rs 37,504 million with NBP in T-Bills. Thus the investment was made without the approval of the competent authority. As per Finance division instructions the investments should be made in a diversified manner so that the risk may be avoided and better returns may be received on investments. No comparison of rates of T-Bills was on record. Furthermore, in investment of Rs 278 million was made in Bank Alflah and Rs 537.874 million in JS Bank without observing the procedure.

It was replied in January 2013 that all the codal formalities for investment of Fund Rs 37,504 million into the T-Bills of NBP have been followed by MoIT. The rates were initially called from all the Primary dealers of Government Securities. Only two of the treasuries, i.e. NBP and Alfalah, quoted the rates for the subject investment and the comparative information was prepared accordingly. The higher rates were offered by NBP, and were presented before the investment committee. The committee agreed to invest in the NBP being the higher quoted treasury.

The reply was not acceptable because the rules were violated as proved from the record and investment was made by a single one against the rules.

Audit requires that matter may be investigated for facts finding and fixation of responsibility for violation of procedure for investments.

No progress was intimated till finalization of this report.

8.59 Irregular/unjustified expenditure on sponsorship & dinners - Rs 1.065 million

According to Finance Division's O.M No. F.15 (13)-R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. Article IV (1) of Memorandum of Association endorses that the Member of Board or its institution cannot be benefited from the Company funds. Cabinet Division's O.M No.1/13/2000-Imp-n dated 11.10.2000, further stipulates that strict austerity should be observed at all official functions. Tea and biscuits should be served even if the Chief Executive is the Chief Guest in the function.

In violation of the above, USF Company incurred an expenditure of Rs 1,065,047 on account of donation and dinners in favour of former CEO, GM (Finance) and Iftar during FY 2011-12. The donation was paid to Consumer Association of Pakistan upon the request of Chairman of Association for sponsoring the consumer choice award. The person who requested for donation was Member of the Board of USF Company, therefore, the payment of donation and dinners stands irregular being not covered anywhere in USF Company mandate. Detail is as under:-

S.No	PDP No	Description	Amount (Rs)
01	493-12	Donation for sponsoring consumer choice award.	550,000
02	505-12	Dinner for CEO, GM (Finance) & Iftar dinner.	515,047
TOTAL			1,065,047

It was replied in January 2013 that USF Company was established under Section 42 of the Companies Ordinance 1984 and USF Rules cover the procedures being followed by USF. The Sponsorship to Consumer Association of Pakistan (CAP) was given under USF Rule 22 'Function of CEO' sub-section (g), the CEO was required to "widely disseminate the purpose and objectives of the Fund". Point 8 of 'Operating Procedures' was also covered the sponsorship. As regard to the dinners, the expenditure was incurred on farewell according to rules and related Standing Operating Procedure (SOP). Similarly a shield / certificate may be awarded to an employee on accomplishment of targets or at the time of separation from the company.

The reply was not acceptable as the payment of donation and expenditure on dinners was against the rules and provisions of Article IV (1) of Memorandum of Association.

Audit recommended that matter be investigated for fixation of responsibility on those who at fault.

No progress was intimated till finalization of this report.

ANNEXURES

MFDAC PARAS

(Rs in million)

S. No.	PDP No	Subject	Amount
1.	PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)		
01	212	Non-transfer of title of land of zonal office Rawalpindi	18.00
02	214	Non-transfer of cash receipts to the collection account / Federal Consolidated Fund (FCF)	0.469
03	216	Non-transfer of cash receipts to the collection account for onward transmission to federal consolidated fund	1.050
04	218	Unauthorized expenditure	18.365
05	450	Unauthorized promotion in EG-2, EG-3 & EG-4	0
06	451	Unauthorized promotion in EG-1, SG-4, SG-3, SG-2, SG-1	0
07	456	Difference on account of Pay and allowances of the officers in MP-I & MP-II	4.963
08	459	Irregular Grant of Additional Charge	0
09	460	Wasteful expenditure on preparation of Accounting and Finance Manual	0.516
10	462	Un-authorized expenditure on account of payment of Group Insurance	0.780
11	463	Minus balances appearing in the general ledgers	40.049
12	467	Non-recovery of initial license fee	0.875
13	468	Irregular expenditure on account of change of specification for purchase of laptops	3.930
14	470	Unauthorized maintaining of pension fund account in NBP and investment	0
15	471	Unauthorized Opening Of Bank Accounts	0

16	472	Non Approval Of JV/Reversal Of JVS From Appropriate Forum	0
17	473	Unauthorized expenditure over & above the budget and huge difference between assessment of Income Tax and actual payment	13,938.084
18	477	Unauthorized maintaining of CPF account and excess contribution in GPF/CPF account nida18-4	0
19	479	Loss due to non-imposing of penalty for late payment of Annual Radio Frequency Fee Spectrum	0.300
20	480	Loss of millions of rupees due to revision the rates of APC for USF	0
21	483	Non recovery of GST from the catering suppliers	0.769
22	490	Unauthorized payment of advance house rent	0.632
TOTAL			14,028.782

2.	FREQUENCY ALLOCATION BOARD (FAB)		
01	335	Irregular expenditure on account of payment to security guards	0.204
02	342	Non-handing over of vested quarters/land from PTCL	0
TOTAL			0.204

3.	NATIONAL RADIO TELECOMMUNICATION CORPORATION		
01	626	Undue favors to suppliers and loss	0.228
02	634	Loss due to procurements at higher rates	0.114
03	648	Unauthentic receipt and utilization of Diesel and difference of 2764 liters	0
04	650	Irregular refund of L.D charges	0.216
TOTAL			0.558

4. INFORMATION COMMUNICATION TECHNOLOGY RESEARCH & DEVELOPMENT FUND (ICT R&D)			
01	419	Unjustified expenditure on repair and maintenance of rental building	0.406
02	423	Non recovery of outstanding TA advances	1.879
03	427	Irregular expenditure on air tickets for ministry official Rs 41,793	0.042
04	428	Unjustified payment to Lahore University of Management Sciences (LUMS) against National ICT Scholarship Program-2011 & non execution of contract agreement	0.600
05	429	Excess payment to Islamia University Bahawalpur against National ICT Scholarship Program-2011	0.414
06	432	Non deduction of income tax from Naseeb online services	0.722
07	437	Irregular payment on appointment of legal advisor	0.855
08	440	Expenditure without contract agreements	6.864
TOTAL			11.782

5. NATIONAL TELECOMMUNICATION CORPORATION (NTC)			
01	207	Non-recovery of Penalty from Sim Sim Builders due to late completion of work at Jewani	0.570
02	209	Un-authorized utilization of receipts made against Assignment Accounts	0.924
03	210	Un-authorized payment made to National Highway Authority	0.203
04	222	Unauthorized receipt of funds in DDO account NTC Headquarter and irregular channelization of funds to NTC regions	0
05	223	Difference in the revised budget estimates and withdrawal of funds	3.446
06	224	Loss to NTC due to procurement in piecemeal and non-transparent manner	0

07	242	Unjustified/wasteful expenditure	15.528
08	245	Irregular accounting system and procurements	149.035
09	253	Unnecessary burdening to NTC budget by MoIT	0.889
10	254	Non achievement of revenue/savings targets envisaged in PC-I	0
11	259	Irregular grant of EOL	0
12	260	Unjustified expenditure on deployment of Levies Guards at MW Stations	62.287
13	264	Excess payment on salary against approved in PC-I	0.220
14	267	Budget deficit in operating cost	210.469
15	272	Excess payment of salary to System Administrator	0.210
16	273	Unauthorized expenditure against project Web Hosting Rs 877,500	0.878
17	278	Theft of vehicle No. GA 665	0
18	284	Poor performance of NTC in achievement of ADP	0
19	289	Wasteful expenditure against scrapped project	0.691
20	300	Irregular allocation of rooms to MoIT without rent and agreement	0.096
21	306	Irregular revenue collection by banks without contract agreement	0
22	322	Irregular payment on account of bills distribution charges	0.638
23	324	Non-recovery of rent of vested quarters	0.103
24	325	Irregular expenditure on account of payment of security guards	1.872
25	326	Irregular award of advance increments to the employees in group-vi & below	2.391
26	327	Irregular expenditure incurred for payment of uniform	0.910
27	328	Non-recovery from site Ltd Karachi on account of damage of NTC under-ground cable / OFC network	0.720

28	329	Irregular payment to advertising agency	0.271
29	330	Irregular expenditure on purchase of fixed assets	0.437
30	343	Irregular channelization of funds to Divisions	0
31	349	Loss to NTC and irregular expenditure	0.131
32	352	Irregular expenditure without sanction of estimate	0.166
33	356	Loss of millions of rupees to NTC due to provision of telecom services to designated customers by other operators	0
34	359	Irregular award of advance increments to the employees in group-vi & below	0.156
35	360	Non imposition of LD charges from the contractor	0.091
36	361	Non recovery of LD charges from the contractor	0.088
37	362	Un-authorized expenditure on staff engaged over & above the sanctioned strength	2.923
38	364	Irregular expenditure incurred for payment of uniform	0.027
39	366	Un-authorized expenditure on staff engaged over & above the sanctioned strength	2.882
40	367	Irregular payment on account of bills distribution charges	0.339
41	368	Irregular expenditure incurred for payment of uniform	0.979
42	370	Irregular award of advance increments to the employees in group-vi & below	1.163
43	395	Non deduction of LD charges	0.619
44	397	Overpayment on account of provision of furniture	0.345
45	398	Loss to NTC due to award of works at higher rates	0.275
46	399	Loss to NTC due to award of works at higher rates	0.119

47	401	Anticipated loss of revenue	4.872
48	402	Irregular expenditure incurred for payment of uniform	0.018
49	409	No imposition/recovery of liquidated damages	0.478
50	492	Diversion of cash bank ceiling	38.424
51	585	Diversion of cash bank ceiling	20.918
52	589	Irregular appointments/renewal of contract and expenditure on pay & allowances	0.743
53	590	Recurring loss on working connections	9.817
54	591	Irregular expenditure incurred on appointment of Accountant on contract basis	0.248
55	596	Non recovery of rent of NTC quarters occupied by the PTCL	0.777
56	598	Unauthorized payment of bonus	0.014
57	600	Irregular issuance of cheques in order to avoid the surrender of funds	4.491
58	602	Irregular expenditure	0.459
59	604	Non-surrender of savings lying in DDO account	0.508
60	614	Irregular transfer to DDO account instead of collection account	8.800
61	615	Doubtful expenditure without supporting documents	16.905
62	616	Irregular issuance of cheques in order to avoid the surrender of funds	8.548
63	617	Loss due to giving WLL connections instead of NTC connections	5.699
TOTAL			584.81

6.	SPECIAL COMMUNICATIONS ORGANIZATION (SCO)		
01	307	Irregular expenditure on building works due to defective tendering	0.893
02	312	Irregular/Suspicious payment on account of incentive amounting to Rs 86,755	0.087

03	313	Non recovery on account of Casual Telephone Connections	0.120
04	314	Suspected misappropriation of tonners/cartridge	0.160
05	316	Excess payment to the contractor	0.470
06	317	Suspicious cash payment	3.030
07	319	Non deduction of income Tax	0.111
08	374	Unauthorized expenditure on account of commercial advertisement	1.456
09	385	Misclassified expenditure	14.083
10	389	Irregular/Suspicious payment on account of incentive	0.140
11	392	Irregular expenditure on hiring	0.718
12	394	Unauthorized expenditure without provision in PC-1	6.450
13	413	Irregular payment on account of Income Tax in electricity bills	1.139
14	618	Irregular payment on account of Income Tax in electricity bills	3.501
TOTAL			32.357

7.	TELEPHONE INDUSTRIES OF PAKISTAN (TIP)		
01	562	Extravagant expenditure incurred on sub-offices of TIP amounting to Rs 97.892 million	97.892
02	564	Non-recovery/less recovery of rent charges from the occupants of quarters/hostel rooms Rs 1.621 million	1.621
03	577	Irregular calculation of interest on CPF and non-investment of CPF	0
04	579	Unjustified provision of doubtful debts Rs 647.026 million	647.026
05	580	Unjustified provision of obsolescence	0
TOTAL			746.539

8.	UNIVERSAL SERVICE FUND COMPANY (USF)		
01	494	Unauthorized payment on account of salary	0.305
02	541	Unjustified appointment of drivers and office boys	0
03	543	Vast variation in salaries of Executive and Non Executive Employees	0
04	545	Irregular expenditure on repair of vehicle QB-470	0.273
05	547	Non transparent process and payment of pay and allowances with gratuity	0.031
			5.928

Recoveries not in the notice of Executive before Audit

S.No	PDP/Item No	Subject	Recoverable
01	381	Undue favor to M/s Warid resulted into non realization of revenue	16,156,471
02	382	Non imposition/recovery of late payment charges on account of DPLC Charges	5,038,417
03	383	Less realization on account of VIM charges from M/s Ufone	5,080,800
04	384	Unauthorized deduction of 6% Tax by the operators	12,748,946
05	391	Unjustified payment against un-utilized NSPCs	5,365,742
06	25	Irregular deposit of receipt into private account instead of public account	9,600
TOTAL			44,399,976

Audit Impact Summary

S.No	Change in Rules/Systems/Procedures	Impact
01	Approval of pay packages, Service Rules, Medical Policies.	Unapproved allowances & financial benefits have been discontinued
02	Consideration of composition and competence of Board.	Transparency in the decisions.
03	Formulation of recovery policy.	Receivables management improved.
04	Adoption of PPRs by the telecom entities.	Transparency in procurements.
05	Amendment in FBA&A procedure	Transparency in incurrence of expenditure.

STATEMENT SHOWING DETAIL OF OUTSTANDING DUES

S. No	PDP No	Name of unit	Description						Private Capacity
			Working	Closed	DSL	Casual	UI	PABX	
01	323-13	Director NTC Karachi	14,898,731	712,080	2,372,621	26,513	16,286	0	0
02	345-13	Director NTC Islamabad	10,225,125	0	0	0	0	0	0
03	346-13	Director NTC Islamabad	0	403,026	0	0	0	0	0
04	347-13	Director NTC Islamabad	0	0	0	56,734	0	0	0
05	348-13	Director NTC Islamabad	0	0	0	0	0	0	1,339,371
06	365-13	Director NTC Multan	3,446,627	83,008	0	117,264	91,608	0	0
07	586-13	Director NTC Peshawar	0	1,188,318	156,260	403,373	0	121,655	0
08	587-13	Director NTC Peshawar	1,700,073	0	0	0	0	0	0
09	593-13	Director NTC Quetta	3,351,947	0	0	0	0	0	0
10	594-13	Director NTC Quetta	0	400,850	0	0	0	0	0
11	595-13	Director NTC Quetta	0	0	1,056,539	0	0	0	0
12	607-13	Director NTC Lahore	6,663,909	0	0	0	0	0	0
13	610-13	Director NTC Lahore	0	3,574,831	0	0	0	0	0
14	611-13	Director NTC Lahore	0	0	788,610	0	0	0	0
15	613-13	Director NTC Lahore	0	0	0	29,685	0	0	0
TOTAL			40,286,412	6,362,113	4,374,030	633,569	107,894	121,655	1,339,337
GRAND TOTAL									53,225,044

