



**AUDIT REPORT
ON
THE ACCOUNTS OF
TELECOMMUNICATION SECTOR
AUDIT YEAR 2013-14**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADP	:	Annual Development Plan
ADE	:	Assistant Divisional Engineer
AMN	:	Assistant Manager Network
AE	:	Assistant Engineer
BESOS	:	Benazir Employees Stock Option
BOQ	:	Bill of Quantity
CGA	:	Comptroller General of Accounts
CMA	:	Controller Military Accounts
CFO	:	Chief Financial Officer
CFR	:	Cost & Freight Value
CPC	:	Central Procurement Committee
CRs	:	Confidential Reports
DAC	:	Departmental Accounts Committee
DDP	:	Delivery Duty Paid
DDO	:	Drawing & Disbursing Office
DP	:	Defence Production
DPLC	:	Domestic Private Leased Circuits
DSALM	:	Digital Subscribers Line Access Module
DSC	:	Departmental Selection Committee
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
FBA&AP	:	Financial Budgeting Accounting & Audit Procedure
FCC	:	Final Capital Cost
FCF	:	Federal Consolidated Fund
FIA	:	Federal Investigation Agency
FOB	:	Freight on Board
FTP	:	Field Training Program
FWO	:	Frontier Works Organization

FWT	:	Fixed Wireless Terminal
GSM	:	Global Systems of Mobile
HEC	:	Higher Education Commission
HIT	:	Heavy Industries Taxilla
IDC	:	Internal Departmental Committee
ISP	:	Internet Service Provider
LC	:	Letter of Credit
MOC	:	Ministry of Communication
MoIT	:	Ministry of Information Technology
MoDP	:	Ministry of Defence Production
MSDN	:	Multi Services Data Network
MSAGS	:	Multi Services Access Gateways
NIDA	:	National Interest Daily Account
NMS	:	Network Management System
NOC	:	No Objection Certificate
NTC	:	National Telecommunication Corporation
NTDC	:	National Transmission & Dispatch Company
NRTC	:	National Radio Telecommunication Corporation
OFAN	:	Optical Fiber Access Network
OFC	:	Optical Fiber Cable
OSP	:	Outside Plant
PABX	:	Private Automatic Branch Exchange
PA	:	Personal Assistant
PAO	:	Principal Accounting Officer
PAC	:	Provisional Acceptance Certificate
PCC	:	Provisional Capital Cost
PEMRA	:	Pakistan Electronic Media Regulatory Authority
POL	:	Petrol, Oil & Lubricants
PS	:	Private Secretary
PSO	:	Personal Staff Officer
PMU	:	Program Management Unit
PPRA	:	Public Procurement Regulation Authority
PRI	:	Primary Rate Interference
PSDP	:	Public Sector Development Programme

PTA	:	Pakistan Telecommunication Authority
PTCL	:	Pakistan Telecommunication Company Limited
RIO	:	Reference Interconnect Offer Agreement
SCO	:	Special Communications Organization
SDH	:	Synchronized Digital Hierarchy
SECP	:	Security Exchange Commission of Pakistan
STM	:	System Transfer Module
TDR	:	Term Deposit Receipts
TIP	:	Telephone Industries of Pakistan
UMGs	:	Universal Media Gateways
VHF	:	Very High Frequency
UHF	:	Ultra High Frequency
WLL	:	Wireless Local Loop

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with the Section 8 and 12 of the Auditor General's Ordinance 2001, require the Auditor General of Pakistan to conduct the audit of receipts and expenditure out of the Fedreal Consolidated Fund and Public Account.

The Directorate General of Audit, Posts, Telegraphs and Telephones, Lahore, on behalf of the Auditor General of Pakistan conducts the audit of Postal and Telecommunication Sector. Accordingly the audit of the accounts of Telecommunication Sector for the financial year 2012-13 was conducted during 2013-14 on test check basis with a view to reporting significant findings to the relevant stakeholders.

The Audit Report is on the accounts of various organizations of Telecommunication Sector which are under the administrative control of Cabinet Division, Ministry of Defence Production and Ministry of Information Technology. The Audit Report contains findings on the serious issues and relatively less significant issues are listed in the Annex-I of the Audit Report and are pursued with the Principal Accounting Officers.

The Report has been finalized in the light of replies received from the management concerned. The 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 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: 28th March, 2014

Sd/-

Muhammad Akhter Buland Rana
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Audit Report presents results of the audit of the accounts for financial year 2012-13 of the Telecommunication Sector which includes Frequency Allocation Board (FAB), National Radio Telecommunication Corporation (NRTC), National Telecommunication Corporation (NTC), Special Communications Organization (SCO) and Telephone Industries of Pakistan (TIP).

FAB and NTC were established under Pakistan Telecommunication (Reorganization) Act 1996. FAB is under the administrative control of Cabinet Division. NTC, SCO and TIP 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, and NRTC and TIP are registered as private limited companies incorporated under the Companies Ordinance, 1984.

The Report has been finalized on the basis of replies received by the management of these entities. The DAC meetings were not held by the respective PAOs of the concerned Ministries despite repeated requests of Audit.

The Director General, Posts Telegraphs and Telephones Audit is responsible to conduct the audit of above mentioned five entities of Telecommunication Sector having twenty six formations. The Directorate General has the budget of Rs 49.108 million for the financial year, deployed a human resource of 42 officers and staff utilizing 3848 man days for the Audit of these entities.

a. Scope of Audit

The total budgeted allocation of these telecommunication entities for the financial year 2012-2013 was Rs 5,557.275 million which was expended during the year. DG Audit (PT&T) has audited the expenditure of Rs 1,527.333 million which is 27% of the auditable expenditure.

b. Recoveries at the instance of audit

The recoverable of Rs 3,262.77 million were pointed out by audit, out of which recovery of Rs 232.316 million was affected so far till the finalization of this Report. Out of the total recoverable, Rs 3.581 million were not in the knowledge of the executives till pointed out audit (Annex II).

c. Audit Methodology

The desk audit could not be conducted because the accounts maintenance of telecommunication entities were not fully automated and data not available online. However, the permanent files in the Headquarter were updated after obtaining the relevant information from the entities which helped in planning of the audit approach and managing manpower before starting field activity.

d. Audit Impact

On the pointing out and advised by Audit, the PAOs / executives of telecom sector entities have developed their accounting procedures and made amendments in the existing accounting systems where required as follows:

- FAB has drafted and submitted their accounting procedures for approval of the Auditor General of Pakistan, the competent authority. Therefore the unauthorized / unapproved accounting procedures will be discontinued.
- NTC has amended their accounting procedures and submitted to the Auditor General for approval. Further NTC has developed and implemented a proper system of depositing the receipts in revenue account instead of DDO account. This has resulted in classification

of revenue under proper head for further transmission to the Federal Consolidated Fund.

- SCO has adopted channel of banks for transferring revenue to Federal Consolidated Fund and discontinued remittance through PPO. This has ensured more transparency and timely submission of revenue to the National Exchequer.
- SCO also amended their Financial Budgeting Accounting and Audit Procedures bringing more transparency in incurring the expenditure.

e. Comments on Internal Controls

- i. The Internal Audit setup exist in the Telecommunication Entities audited, however, the Internal Audit Reports are not submitted to the Board of Directors and no action is taken by the management on these Reports resultantly, similar nature of irregularities occur in these entities. The Internal Audit Reports are also not produced to audit despite requests.
- ii. These telecommunication entities have prescribed internal controls, however, implementation is very weak. The internal controls are mostly not functional in utilization of resources promotions, appointments, amendments in regulations, award of work etc.
- iii. Revenue Management was not effective as recovery of outstanding dues was slow.
- iv. Budgetary controls in NTC/SCO were not functioning effectively as the expenditure was incurred in excess of budget grants and savings not surrendered in time in other cases.

f. Key audit findings

- i. Receivable management of telecom entities remained weak which resulted in non recovery of huge amount of Rs 3,016.755 million pointed out in twelve (12) paras.¹
- ii. Violation of PPRA Rules, entities financial and service rules, contract agreements, was pointed out in forty three (43) cases amounting to Rs 1,008.797 million.²
- iii. Lack of internal controls in utilization of resources, promotions, appointments and unauthorized changes in the regulations amounting to Rs 4.808 million was noted in ten (10) cases.³
- iv. Unauthorized and irregular payments of extra allowances, financial benefits, bonus, proficiency incentives, qualification pay and payment of arrears amounting to Rs 112.139 million were highlighted in eight (8) cases.⁴
- v. Unauthorized investment of funds amounting to Rs 3,466.443 million was observed in two (2) cases.⁵
- vi. Lack of internal controls and violation of entities own various procedures / policies resulting in monetary loss and irregular expenditure of Rs 328.581 million were observed in nine (9) cases.⁶

¹ Para 2.6, 2.8, 3.4 to 3.8, 4.4, 4.14, 5.5, 5.6 and 5.16

² Para 2.4, 2.5, 3.10 to 3.29, 3.32 to 3.36, 4.5 to 4.9, 4.11, 4.13, 4.17, 4.19, 4.22, 5.4, 5.7, 5.12 to 5.15

³ Para 1.10, 3.37 to 3.40, 4.15, 4.18, 5.17 to 5.19

⁴ Para 1.6 to 1.9, 3.9, 5.8, 5.10 and 5.11

⁵ Para 3.30 and 3.31

⁶ Para 1.4, 1.5, 1.11, 2.7, 4.10, 4.16, 4.20, 4.21 and 5.9

- vii. Unauthorized expenditure of Rs 481.381 million over and above the budget allocation was observed in one (1) case.⁷

⁷ Para 4.12

g. Recommendations

- i. The Ministries / Divisions concerned need to strictly follow the Article 78 (2) of the Constitution and ensure deposit and surrender savings in the Federal Consolidated Fund and transfer of revenue according to the laws.
- ii. Unauthorized payments to employees in contravention of rules and in disregard to the employees' entitlement should be stopped.
- iii. The Public Procurement Authority Rules, 2004 for procurement of goods and services should be complied in letter and spirit.
- iv. FAB management needs to formulate the functional regulations and strengthen their internal controls to ensure the allocation and monitoring of frequencies allocation mechanism.
- v. NRTC should strengthen the financial management as well as compliance of procedures / policies to ensure timely and full realization of receivables.
- vi. NTC / TIP Managements need to strengthen the internal controls in utilization of resources, promotions, appointments, leaves and amendment in regulations besides implementation of the approved service rules.
- vii. The losses, irregularities, unauthorized payments and wasteful expenditures should be investigated, responsibilities fixed and disciplinary action taken against the officials held responsible.
- viii. The management should expeditiously implement the PAC / DAC directives and Audit recommendations.

SUMMARY TABLES AND CHARTS

Audit Work Statistics

(Rs in million)

S.No	Description	No	Budget
1	Total PAOs under Audit Jurisdiction	03	Budget 5,557.275 Receipts 79,028.839
2	Total formations under Audit jurisdiction	37	Budget 5,557.275 Receipts 79,028.839
3	Total PAOs Audited	03	84,586.114
4	Total formations Audited	26	Budget 1,527.333 Previous year Budget 9,225.358 Receipts 5,811,484
5	Audit and Inspection Reports	26	16,564.175
6	Special Audit Reports / Studies	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Audit observations regarding Financial Management

(Rs in million)

S.No	Description	Amount placed under Audit Observation
1	Unsound asset management	0
2	Weak financial management	7,143.968
3	Weak Internal Controls relating to financial management	627.600
4	Others	647.336
	Total	8,418.904

Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on		Receipts	Others		Total 2012-13	Total 2011-12
		Procurement Physical Assets	Civil Works		Budgeted	Previous year Budget		
1	Outlays Audited	97.820	11.942	5,811.484	1,417.571	9,225.358	16,564.175	167,254.316
2	Monetary value of Observations	36.242	2.466	3,115.683	1,059.86	4,204.653	8,418.904	136,240.077
3	Recoveries at instance of Audit	-	-	-	3,262.77		3,262.77	14,031.604
4	Recoveries accepted / established	-	-	-	3,021.233		3,021.233	14,031.604
5	Recoveries realized	-	-	-	232.316		232.316	444.832

Irregularities pointed out

(Rs in millions)

S. No	Description	Amount placed under Audit Observation
1	Violation of rules and regulations and principles of propriety and probity in public operations.	4,122.735
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	6.191
3	If possible quantify weaknesses of internal control systems.	621.409
4	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of	724.256

	public monies	
5	Others, including cases of accidents, negligence etc.	647.336
6	Receivables	2,296.977
Total		8,418.904

**Total of S.No.4 and 6 above is equal to the amount of S.No.4 column 7 of table-3*

Cost benefit

(Rs in millions)		
S.No	Description	Amount
1	Outlays audited	16,564.175
2	Expenditure on Audit	49.108
3	Recoverable realized at the instance of Audit	232.316
Cost Benefit Ratio of current audit year 2013-14		4.7:1.0
Cost Benefit Ratio for the previous audit year 2012-13		12.5:1.0
Cost Benefit Ratio for the previous audit year 2011-12		1.6:1.0

CABINET DIVISION

CHAPTER-1

FREQUENCY ALLOCATION BOARD

1. FREQUENCY ALLOCATION BOARD

1.1 Introduction

Frequency Allocation Board (FAB) was established on 1 January, 1996 under the Pakistan Telecommunication (Reorganization) Act, 1996, placed under the administrative control of the Cabinet Division and funded by PTA. Section 42 of Telecommunication (Reorganization) Act 1996 provides the accounts to be audited by the Auditor General of Pakistan. FAB is managed by a Board appointed by the Government of Pakistan and follows the applicable recommendations of the International Telecommunication Union.

Its main functions are to (1) allocate and assign frequency spectrum to the public sector providers of telecommunication services and systems, radio and television broadcasting operations, public and private wireless operators and others and (2) monitor the sphere and determine illegal users of frequencies and report to PTA for action under the Act.

1.2 Comments on Budget and Accounts

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

1.3 Status of Compliance with PAC Directives

FAB, CABINET DIVISION

Following table shows the compliance status of PAC directives.

S. No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
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

1.4 **Colossal loss to the state due to unlawful usage of frequency spectrum by WAPDA and NTDC for more than 20 years – Rs 57.821 million**

According to Deregulation Policy 2003, FAB is responsible for managing the Radio Spectrum within the frame work of the Pakistan Telecommunication Reorganization Act 1996. According to Section 31 Para (n) (1) of the Act the unauthorized use of frequencies is an offence.

WAPDA has been illegally using the 17 frequencies spots against license No.W.6-5/83 since 1991 without any payment of the license fee. A legal notice was served by PTA to WAPDA in April 2009 for vacation of unauthorized usage of frequencies within 30 days but not complied. PTA directed to FAB in May 2010 for stoppage of illegal use of frequencies by WAPDA and NTDC which was also ignored. Finally FAB management withdrew the frequency spectrum from WAPDA and NTDC on 28 March, 2011 with a considerable delay of more than 20 years which has resulted in a colossal loss of state revenue amounting to Rs 57.821 million and unlawful favour to the WAPDA and NTDC at the cost of public exchequer.

The matter was reported in October 2013 and it was replied in January 2014 that the unauthorized use of spectrum by NTDC was first reported by FAB and consequently legal notices issued by PTA. Finally PTA informed regarding non-payment by NTDC and directed to vacate the spectrum immediately. In response FAB once again communicated to NTDC regarding unauthorized use of spectrum and withdrew the frequencies in March 2011.

The reply is not tenable because the illegal favour and non-recovery of dues was although admitted but giving irrelevant pretext. No DAC meeting was convened by the PAO.

Audit recommends that the total amount of loss should be worked out since 1991 against WAPDA and NTDC and recovered alongwith the interest depositing into Government account within two months. The responsibility for the illegal favour should be fixed and disciplinary proceedings initiated under intimation to audit.

No progress was intimated till finalization of this Report.

(Based on PDP No.346)

1.5 Illegal use of frequencies by various operators without recovery of cost, legal action and punishment of imprisonment or fine of Rs 10 million against unauthorized users of radio frequency spectrum

FAB is responsible for the Wireless functions, to investigate all complaints regarding interference of frequencies and take appropriate action as considered necessary. According to Section 31(1) (n) and (2) of the Telecommunication (Reorganization) Act, 1996, unauthorized use of the radio spectrum is offence and shall be punishable with imprisonment, which may extend to three years, or with fine which may extend to ten million rupees, or with both.

In violation of above rules, frequencies of FM radio stations, VHF / UHF, WLL 450, WLL 1900, GSM 1800, data links etc. were unlawfully using on non-assigned frequency spots by the operators of these and using extra bandwidth and cable leakage signals of different cable operators. FAB did not initiate any legal action of imprisonment or fine of Rs 10 million for illegal use of frequency in violation of the above rules.

Further FAB after establishment in 1996 on promulgation of Pakistan Telecommunication (Reorganization) Act, 1996 did not develop functional regulations despite lapse of seventeen (17) years in violation of Section 43 (7) of Pakistan Telecommunication Reorganization Act 1996, for exercising its powers and performance of its business.

It was noticed that FAB sent the monitoring reports regarding illegal use of frequencies to PTA for legal action on monthly basis but PTA did not take timely action and issued general letters to the illegal users with a delay of one year. However neither any legal action was taken against the illegal users of frequencies nor any punishment awarded. FAB also did not pursue PTA in this regard and allowing illegal business in the country by these operators.

The matter was reported in October 2013 and in reply dated January 2014 FAB management stated that monitoring of interference of spectrum was the domain and responsibility of FAB and monitoring surveys were conducted on the request of PTA / PEMRA and other operators of the Telecom Sector including users of frequency spectrum. Further, the Authorities like PEMRA and PTA had separate enforcement departments for the issuance of enforcement orders and penalties under the umbrella of their Act / Ordinance whereas FAB had no enforcement department to issue any enforcement order or to take any legal actions against any violations. FAB is performing its all functions as per its domains as provided in the Act.

FAB has admitted the loss of huge revenue to the Government due to illegal use of frequencies for their businesses by the operators however irrelevantly shifted the responsibility to PTA and PEMRA on unjustified pretext. FAB has also failed to perform its functions of the wireless board assigned to FAB in 1996. No DAC meeting was convened by the PAO.

Audit recommends that the total amount of loss should be worked out against illegal use of frequencies, the operators and concerned agencies, recover the outstanding dues / fine alongwith the interest depositing into Government account within two months. The responsibility for the illegal favour should be fixed and disciplinary proceedings initiated against the officials of PTA, PEMRA and FAB held responsible under intimation to audit.

No progress was intimated till finalization of this Report.

(Based on PDP No.344, 348)

1.6 Unauthorized payment of inadmissible proficiency incentive on Eid ul Azha and in June 2013 - Rs 14.416 million

According to Para 4.3 of FAB Employees Service Regulations, 2007 cash reward on the occasion of Eid-ul-Fitar, every year shall be admissible with the approval of Executive Director. Furthermore, Chairman / Executive Director may grant proficiency incentive allowance based on the performance of the employee on recommendation of the Reporting Officer in line with PTA.

Contrary to above, an amount of Rs 4.197 million was unauthorizedly paid to 186 officers / officials of FAB on the occasion of Eid-ul-Azha during 2012-13 over and above the admissible payment of cash reward on Eid Ul Fitar. Further an amount of Rs 10.219 million was also paid on account of Proficiency Incentive to 229 employees on the misleading analogy of PTA whereas PTA did not pay any Proficiency Incentive to its employees during 2012-13. Therefore, the total inadmissible payment of Rs 14.416 million is held unauthorized and recoverable.

The matter was reported in October 2013 and it was replied in January 2014 that the subject payment was made as per FAB ESR, 2007, strictly in line with PTA policy. PTA approved payment of proficiency incentive on the eve of Eid-ul-Azha to its employees, therefore FAB also made payment to the employees. PTA did not make payment of proficiency incentive due to the non availability of the Authority to grant approval, however, the same was booked as liability in PTA accounts for its subsequent payment. Upon appointment of the Authority PTA made payment to its employees.

The reply is misleading therefore not acceptable. FAB as well as

PTA Regulations does not allow any proficiency incentive on Eid-ul-Azha. Furthermore, the regulations of PTA have not been approved by competent forum so far, therefore, no analogy from PTA can be drawn. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for unauthorized payment and violation of rules should be fixed, recovery of the amounts from the persons held responsible for the payment besides disciplinary action and discontinuing illegal practice.

No further progress was intimated till finalization of this Report.

(Based on PDP No.337, 338)

1.7 Unauthorized payment of arrears on account of proficiency incentive, cash reward and rest and recreation allowance - Rs 3.223 million

According to para 8 of DDO handbook of autonomous bodies 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. According to System of Financial Control and Budgeting 2006 issued by the Ministry of Finance the grant of proficiency incentive can not be used as device to compensate the employees for special pay etc.

FAB management unauthorizedly paid an amount of Rs 3.224 million to its employees on account of arrears as difference of proficiency incentive, cash reward and rest and recreation allowance on the plea of revision of pay package during 2012-13 in violation of the above rules. The payment of arrears of proficiency incentive, cash reward and rest and recreation allowance was not admissible as it was not linked with the pay package and also not approved by ESR, 2007 as well as rules / standing instructions of the GoP.

The matter was reported in October 2013 and it was replied in January 2014 that during financial year 2012-13 PTA paid arrears of proficiency incentive, cash reward and Rest and Recreation allowance to its employees. Therefore, FAB being a sister organization of PTA paid the arrears of the same on the analogy of PTA.

The reply is not acceptable because there was no provision of payment of arrears of proficiency incentive, cash reward and R&R allowance in revised pay package of FAB approved by the Government as well as FAB regulations do not allow payment of arrears on account of proficiency incentive etc., therefore, the payment stands unauthorized. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for unauthorized payment of arrears as stated above and violation of rules should be fixed, recovery of the amounts from the persons held responsible for the payment besides disciplinary action and discontinuing illegal practice.

No further progress was intimated till finalization of this Report.

(Based on PDP No.339)

1.8 Unauthorized payment on account of conveyance allowance at enhanced rates- Rs 7.261 million

According to Para 4.3 (5) of FAB Employees Service Regulations 2007 and pay package approved by the Finance Division and circulated by the Cabinet Division vide No.3/5/2004-RA-1/PTA dated 25 July, 2007 conveyance allowance @ 15% of the mean of the pay scales are allowed to the FAB employees.

FAB management paid an amount of Rs 7.261 million to 255 officers / officials and retired / ex-employees on account of arrears of conveyance allowance at enhanced rates of 30% due to revision of pay

package during 2012-13. The arrears of conveyance allowance at enhanced rates were not approved by the Finance Division, therefore, stands unauthorized.

The matter was reported in October 2013 and it was replied in January 2014 that PTA's Authority in view of sky rocketing inflation and increase in transportation fares allowed the revision of conveyance allowances from 15% to 30% of the basic pay and paid arrears of conveyance allowance to its employees. Therefore, FAB management also revised conveyance allowance on the analogy of PTA and paid arrears to its employees strictly as per the approval of the Finance Division regarding extension of PTA's pay package to FAB.

The reply is misleading and not acceptable. The Finance Division did not allow revision of conveyance allowance to PTA and FAB employees therefore arbitrary enhancement from 15% to 30% of conveyance allowance was unlawful. Moreover illegal acts of PTA can not be followed by FAB without exercising the vigilance and propriety. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for unauthorized payment enhanced rates of conveyance allowance as stated above and violation of rules should be fixed, recovery of the amounts from the persons held responsible for the payment besides disciplinary action and discontinuing illegal practice.

No further progress was intimated till finalization of this Report.

(Based on PDP No.340)

1.9 Fictitious expenditure on account of newspaper and entertainment - Rs 2.317 million

According to Rule 205 of Treasury rules, a government officer entrusted with the payment of money shall obtained a voucher for every

payment setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. Every voucher must bear, or have attached to it, an acknowledgment of the payment signed by the person by whom, or in whose behalf, the claim is put forward. The acknowledgment shall be taken at the time of payment.

In violation of the above rule, FAB management paid unauthorizedly an amount of Rs 2.317 million on account of newspaper and entertainment charges to various officers with the monthly salary without any supporting documents i.e bills, invoices and vouchers during 2012-13 as an allowance. The amount so paid is held as fictitious expenditure.

The matter was reported in October 2013 and it was replied in January 2014 that all payments were as per entitlements of the officers and after pre auditing of the same with the approval of the competent authority. All respective vouchers / bills are available for verification. Moreover, these payments are not compensation to the staff but perquisites as per their entitlements.

The reply is not correct and therefore not acceptable. The payment on account of newspaper and entertainment with the salary of the officers without any supporting vouchers is not in accordance with the entitlement and paid as compensation with the monthly salary. Neither respective vouchers, bills were available during audit nor verification in December 2013. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for unauthorized expenditure on account of entertainment and newspaper without any supporting vouchers as stated above and violation of rules should be fixed, recovery of the amounts from the officers concerned should be affected and deposited into Government account besides disciplinary action against officers responsible for fictitious payment and discontinuing illegal practice.

No further progress was intimated till finalization of this Report.

(Based on PDP No.341)

1.10 Regularization of daily wage employees without sanctioned posts and unauthorized creation of posts without approval of the Federal Government

The Cabinet Sub Committee on regularization of contract/ daily wages employees approved the case of eighteen contract / daily wages employees of FAB subject to fulfillment of recruitment criterion with the permission of Federal Government for creation of equivalent post. Para 3.2 and 3.50 of FAB employees service regulations 2007 states that all appointment in FAB shall be made against the sanctioned posts. The Chairman / Executive Director, as the case may be, based on the specific requirements, may from time to time abolish or create any post with the consultation of the Federal Government.

It was observed that the posts of junior assistant do not exist in the FAB approved Employees Service Regulations. In order to regularize daily wages employees the management itself created 07 posts in SG 4 during 2012-13 without approval from the Federal Government in violation of the above rules.

The matter was reported in October 2013 and it was replied in January 2014 that the posts of junior assistant were created with the approval of the Federal Government (Establishment Division) vide OM 3/5/2011-Admin-1 dated March 2013.

The reply is misleading therefore not tenable. The Establishment Division letter referred in the reply is not regarding the creation of posts of junior assistant in FAB. It is the minutes of the Sub Committee that regularized the services of daily wages employees according to the availability of the sanctioned posts in the department and organizations.

Therefore the creation of posts of junior assistant stands unauthorized and the regularization is not valid because of the non existence of the posts. No DAC meeting was convened by the PAO.

Audit recommends that due to non availability of post of junior assistant, the daily wages employees should be transferred to the surplus pool of the Establishment Division and action should be taken against the responsible for unauthorized creation of posts of junior assistant without approval of the Federal Government.

No further progress was intimated till finalization of this Report.

(Based on PDP No.342)

1.11 Improper functioning of Internal Audit Wing

Internal Audit is a function of the executive and plays an important role to ensure the financial and administrative discipline, governance and transparency in an organization. Internal Audit is an independent, objective and consulting activity designed to add value and improve an organization's operation and helps to accomplish its objectives and improve the effectiveness of risk management and controls.

The Internal Audit Report for the year 2012-13 provided to audit revealed that no proper setup of internal audit was in place and Internal Auditor incharge of Internal Audit Wing was reporting to unauthorized forum of Executive Director through Director (Finance) and not directly to the Executive Director. The Internal Audit Report contained only the comments and comparison of expenditure on pay and allowances, repair maintenance and General Administrative Expenses with previous year's expenditure. The report did not contain any observation on functional, financial and service irregularities, mismanagement and other indiscipline.

The matter is reported in October 2013 and it was replied in January 2014 that FAB is a technical organization exclusively deals with sensitive

matters of Spectrum Frequency Monitoring and allocation to serve the telecom industry in Pakistan. FAB had no source of revenue and is directly funded by PTA to meet its budgetary requirements. In the absence of any revenue stream and less operational and financial risk, the pre auditing of expenditure is more viable than establishment of full time Internal Audit Department. Therefore, the Internal Audit report contained the comments, comparison of expenditure on pay and allowances, repair and maintenance and general administrative expenses. The existing Internal Auditor is a Master's Degree holder with more than 25 years experience of Audit and Accounts of Government sector having in depth knowledge of procurement Rules, Establishment Regulations and Government Policies.

The reply is based on lack of knowledge about the importance of Internal Audit and justification of improper functioning therefore not acceptable. For all the more reasons of sensitive and technical activities of FAB it is important to have a proper establishment of Internal Audit Wing and should conduct Internal Audit of all the matters and report for taking appropriate action directly to the Executive Director. No DAC meeting was convened by the PAO.

Audit recommends that the Executive Director should take effective steps for establishment of Internal Audit Wing duly incorporating the technical peoples and proper Internal Audit Reports should be prepared for taking appropriate action and timely decisions.

No further progress was intimated till finalization of this Report.

(Based on PDP No.347)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-2

**NATIONAL RADIO TELECOMMUNICATION
CORPORATION (Pvt) Ltd**

2. NATIONAL RADIO TELECOMMUNICATION CORPORATION (Pvt) Ltd

2.1 Introduction

National Radio Telecommunication Corporation (NRTC) was incorporated as a private limited company on 16th February, 1966 to cater to the needs of Army. NRTC is managed by a Board of Directors under the administrative control of Ministry of Defence Production. The corporation is registered under Companies Ordinance as Private Limited Company. Its accounts are audited by the Auditor General of Pakistan.

The main objectives of the Corporation include manufacturing and assembling all kinds of radio / wireless sets for Defence Services and also production of battery eliminators and distribution point boxes for PTCL and NTC.

2.2 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.

2.3 Status of Compliance with PAC Directives

NRTC, Ministry of Defence Production

Following table shows the compliance status of PAC directives.

S. No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
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	7	2	60
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

AUDIT PARAS

2.4 **Violation of State Bank Laws to avoid bank guarantee for importing items and 100% advance payment - Rs 42.110 million**

According to the State Bank of Pakistan, Foreign Exchange Circular No.01 dated 30.01.2010, advance payments against letter of credit upto 100% of the freight on board or cost and freight value of the imported goods is allowed. SBP FE Circular No.03 dated 29.04.2008 allows advance payment facility to importers, upto US\$ 10,000 or equivalent thereof in other foreign currencies, per invoice for eligible items without requirement of Letter of Credit or bank guarantee.

In violation of above rules, NRTC imported from foreign suppliers various parts and components for manufacturing of radio sets valuing US\$340,545, €47,680 and £16,654 equivalent to Rs 42.110 million by issuing split purchase orders so that the amount could remain below the prescribed limit of US\$10,000 and made 100% advance payment through Telegraphic Transfer avoiding bank guarantees and requirement of LC opening.

The matter was reported in October 2013 and it was replied in January 2014 that NRTC manufacturing unit was facing great difficulties to procure parts / components from the foreign vendors who are reluctant to supply to Pakistan especially in the prevailing country situations. Certain firms did not agree to deal with LC and demanded 100% advance payment via credit card or TT. As the items involved were of a critical nature, rare in the market, classified, encrypted, and calibrated to military standard specification, therefore, normal procedure could not be adopted.

NRTC while admitting violation of State Bank rules, avoiding of LCs and placing government money at risk by 100% advance payment without opening LCs, has also misled about the critical nature of the

purchase because Incoming Goods Receipts (IGRs) do not establish this. No DAC meeting was convened by the PAO.

Audit recommends that the responsibility for violation of State Bank rules and 100% advance payment and foreign currency without bank guarantee, should be fixed and disciplinary proceedings initiated against the officers responsible under intimation to audit.

No progress was intimated till finalization of this Report.

(Based on PDP No.310)

2.5 Fake justification for exemption from PPRA Rules for purchase valuing - Rs 73.797 million and non recovery of penalty Rs - 153,161

According to PPRA Rule 12, procurements over Rs 100,000 and up to the limit of Rs 2 million shall be advertised on PPRA website in the manner and format specified by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. Further, as per PAC directives in its meeting dated 25 March, 2011 the provisions of PPRA Rules should be followed in letter and spirit.

In violation to the above rules and directives of PAC, the NRTC management had purchased different parts / components for manufacturing of exchanges at a cost of Rs 73.797 million during 2012-13 without advertising on PPRA website or through print media to obtain the competitive rates. Further, the supplies of components / parts for PFX-3208 and 1604 and different parts of pressel switch-1000 were required to be received within 10 days from the issuance of work order. However these were delivered with a delay of 1 year but liquidated charges @ 10% of contract value amounting to Rs 114,717 and Rs 38,444 respectively was not recovered in violation of the contract agreement. Detail is as under:

S. No	Description	Amount (Rs)
01	Computers and Air conditioners	2,857,671
02	Parts / components of SK-2-4700 system	8,750,941
03	Design printing lamination, multi meter, E1 controllers	4,586,791
04	Components / Parts for PFX-3208	2,485,089
05	Components / Parts for PFX-3208 and 1604	2,557,127
06	Components / Parts for PFX-1604	7,681,161
07	2350 bags and 2350 belts	475,270
08	Components / Parts for project IC-6690	6,449,289
09	Components / Parts of WB Jammer, vehicular Radio and 9600 series	4,795,162
10	Pressel Switch-1000	22,143,936
11	Fork lifter, kardex system, stringer BS 102, blockers and CCTV System	11,014,407
Total		73,796,844

The matter was reported in October 2013, to which it was replied in January 2014 that the procurements were sensitive in nature used in various systems provided to Pakistan Army, therefore, prior exemption certificates were obtained from the PAO according to PPRA Rules 2004. Moreover procurements that were not of sensitive nature were made in the light of Rule 42 of PPRA 2004 on emergency basis.

The reply is misleading therefore not acceptable. NRTC has misstated the facts, the exemption certificates related to previous year 2011-12 and not valid for procurements made in 2012-13. It was verified from exemption certificate on 5 December, 2013 that the items were not of sensitive nature and the exemption was not appropriate. The justification given for not calling the tenders was also fake as no emergency for procurement could also be proved as required in Rule 42 of PPRA 2004. No DAC meeting was convened by the PAO.

Audit recommends that the responsibility for granting the exemption on fake projections without any emergency and violation of PPRA Rules be fixed and disciplinary proceedings initiated against the officers responsible besides recovering liquidity charges from the suppliers or the persons responsible under intimation to audit.

No progress was intimated till finalization of this Report.

(Based on PDP No.311 to 315, 317, 318, 320 to 322, 328)

2.6 Less receipt of foreign exchange component, loss due to exchange rate fluctuation and non recovery of freight and insurance charges Rs -713.772 million

According to clause 16.9 of the contract agreement the client (DG-DP) was required to pay 100 % foreign exchange component in advance to supplier (NRTC). Clause 16 (c) allowed part delivery and part payment and clause 20 required that the exchange fluctuation charges will be borne by the client and paid to NRTC on actual basis.

A contract agreement was signed between NRTC and DG (DP) on 30.06.2010 for supply of 3000 Soft Defined Radio Sets (SDR). The DG (DP) did not fulfill the condition of agreement and made the payment of foreign exchange components of US\$ 50.490 million to NRTC leaving a balance of US\$ 6.147 million. The amount of US\$ 6.147 million equivalent to Rs 588.126 million has not been paid as yet in violation of the agreement inflicting financial constraint to the NRTC. Furthermore, the payment of FEC of US\$ 50.490 million was made by DG (DP) during 03.09.2010 to 17.09.2012 @ Rs 85.30 to Rs 93.80 per US\$ whereas NRTC made payment of US\$ 24.679 million to M/s Aselsan Turkey during 14.10.2010 to 19.09.2012 @ Rs 86.40 to 97.65 per US\$. This resulted in a loss of Rs 131.005 million to NRTC due to exchange rate fluctuation out of which Rs 11.108 million were verified on 5 December 2013 leaving a balance of Rs 119.897 million.

It was further observed that NRTC imported the items from M/s Aselsan Turkey and paid freight and insurance charges valuing Rs 5.749 million to the forwarding agent during 24.08.2012 to 20.03.2013 and sent paid vouchers to DG (DP) for reimbursement but the amount was not reimbursed till date. The total recoverable of NRTC against one project was accumulated as Rs 713.772 million as stated above but NRTC management failed to recover it so far. Detail is as under:

S. No	Contract No.	Description	Amount (Rs)
01	11/ET/2009-10/Army dated 30.06.2010	Less receipt of FE component from DGP (A)	588,125,824
02	-do-	Loss due to fluctuation charges	119,897,431
03	-do-	Loss due to non receipt of freight and insurance charges	5,748,533
Total			713,771,788

The matter was reported in October 2013 and it was replied in January 2014 that NRTC had raised the bills as per terms of the contract and amount will be recovered on allocation of funds to DG (DP). As regard to freight and insurance charge it was replied that after having completed the shipment by M/s Aselsan Turkey a final bill of the actual amount will be submitted to DG MP / CMA (DP) and amount so received will be intimated to Audit accordingly.

The reply is not tenable because NRTC did not raise bills against DG (DP) according to the contract agreement and has admitted the non recovery from DG (DP) on account of less payment of advance, exchange rate fluctuations in the FE component and non recovery of freight and insurance charges as per contract agreement. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for not raising the bills timely against DG (DP) in violation of the contract agreement should be fixed

against the officers / officials held responsible. The case for recovery of outstanding dues should also be pursued vigorously and realization of recoverable be ensured at the earliest under intimation to audit.

No further progress was intimated till finalization of this Report.

(Based on PDPs 325, 326,327)

2.7 Delay in supply of exchange as per contract and payment of Liquidated charges - Rs. 1.031 million

According to clause 23 (b) of the contract agreement No. 09-0515-2-0/08 for delivery of exchange PFX-3208 signed between NRTC and DGP Army dated 28.05.2008, liquidated damages @ 2 % of the value per month or part thereof up to 10 % of the total value of late delivery of stores would be charged from NRTC.

NRTC was required to supply exchange PFX-3208 with 25 parts to DGP Army within 12 months after signing the contract and till 27.05.2009 at a cost of Rs 10.350 million. NRTC failed to deliver the exchange within the due time and delivered the spares for exchange PFX-3208 in two phases till 30.06.2011 resulting in delay of supply of 25 parts. DGP Army extended the date of supplies till 09.06.2011 vide their letter dated 22.07.2013. NRTC claim of Rs 10.350 million of supply was made and sent to DGP Army vide bill No.FN/SP-3208-1112/0009 on 20.10.2011. CMA (DP), the consignee, made a payment Rs 9.319 million to NRTC after deducting late delivery charges of Rs 1.031 million from the claim.

NRTC requested on 19.08.2013 for refund of LD charges deducted because the supply period was extended till 09.06.2011 and period of delay was condoned therefore the amount of Rs 1.031 million deducted was required to be refunded by CMA (DP) which has not been refunded so far.

The matter was reported in October 2013 and it was replied that NRTC had supplied all the contracted quantity on 30 June, 2011 in two

phases. However, delay was caused in procurement of parts / components from foreign suppliers. The case for extension in the contract upto 30.6.2011 was taken up with DGP (Army) without LD.

The reply is not acceptable because in case NRTC was facing great difficulty in procurement of parts it should have applied for extension in contract timely so that LD charges would not have been imposed. NRTC failed to exercise diligence and sustained loss due to delay in completion of the project. No DAC meeting was convened by the PAO.

Audit recommends that the matter be investigated and disciplinary action be taken against those responsible for non timely submission of request for extension of contract to the client. Moreover case for refund of LD charges be pursued vigorously.

No progress was intimated till finalization of this Report.

(Based on PDPs 324)

2.8 Inaction on the part of NRTC to recover outstanding amount against clients - Rs 2,027.893 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 debt of Rs 2,027.894 million was outstanding since 30.06.2010 against 6 parties in case of 12 contracts at the close of 30 June, 2012. As per agreement the clients were required to pay the amount in advance but the details of these receivables showed that despite issuing bills of claims the amounts were not received. The record was silent about efforts made by NRTC to recover these.

The matter was reported in September 2013 and it was replied that hectic efforts are being made at the appropriate level to get the amount realized.

The reply is not acceptable as no record was available showing 'hectic efforts' made by NRTC. No DAC meeting was convened by the PAO.

Audit recommends that the trade debts be recovered from the parties concerned along with the interest and in case of failure through the court. Disciplinary action should be taken against the officials responsible within one month under intimation to audit.

No progress was intimated till finalization of this Report.
(Based on PDPs 323)

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

CHAPTER-3

**NATIONAL TELECOMMUNICATION
CORPORATION**

3. NATIONAL TELECOMMUNICATION CORPORATION

3.1 Introduction

National Telecommunication Corporation (NTC) was established on 1st January, 1996 under the Pakistan Telecommunication (Reorganization) 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 and Telecom Division (MoIT and T). 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 receipt in a financial 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.

3.2 Comments on Budget and Accounts

NTC management did not provide the annual audited accounts till the finalization of the report despite continuous pursuance by audit.

3.3 Status of Compliance with PAC Directives

NTC, Ministry of Information Technology

Following table shows the compliance status of PAC directives.

S. No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
01	1996-97	16	3	3	0	100
02	1997-98	11	11	11	0	100
03	1999-00	15	15	6	9	40
04	2000-01	17	17	10	7	59
05	2001-02	16	16	12	4	75
06	2004-05	06	06	02	04	33
07	2005-06 SAR	31	31	0	31	0
08	2005-06	16	16	3	13	19
09	2006-07	04	04	04	0	100
10	2007-08	13	07	0	07	00
11	2008-09	14	14	4	10	29

AUDIT PARAS

3.4 Non recovery of outstanding dues - Rs 98.548 million

According to Rule 28 of GFR Vol-I, 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 Government treasury and no amount due to government should be left outstanding.

The various directorate of NTC failed to recover the outstanding dues amounting to Rs 98.548 million from various designated customers on account of working, closed, digital subscriber lines, casual, unidentified and primary rate interference connections during financial year 2012-13. Detail is as under:

S. No	Name of Unit	Description	No of connections	Amount (Rs)
01	DEP NTC, Faisalabad	Working, closed, DSL, Casual, and WLL	280	1,933,013
02	Director NTC, Multan	Working, closed, DSL, Casual, UI, and WLL	429	6,231,106
03	DEP, NTC Sukkur	Working, closed and DSL	159	5,747,396
04	DEP Hyderabad	Working, closed, DSL and casual	291	13,075,871
05	Director NTC, Lahore	Working, closed, DSL, Casual, and UI	396	14,292,182
06	Director NTC, Islamabad	Working, closed, DSL, Casual, PRI and WLL	292	35,520,116
07	Director NTC Karachi	Working, closed, DSL, Casual, and UI	337	7,363,647
08	Director NTC Peshawar	Working, closed, DSL and Casual	332	3,165,195
09	DEP NTC Gujranwala	Working, closed, DSL and Casual	426	4,368,073
10	Director NTC	Working, closed, DSL	344	6,851,479

Quetta	and Casual, UI and PRI		
Total		3,286	98,548,078

The matter was reported in October 2013 and it was replied in December 2013 that all relevant departments / authorities were approached for clearance of outstanding dues, and these connections have already been suspended due to non payment of dues as per policy.

In reply NTC has admitted the non recovery of outstanding dues which resulted in non deposit of revenue in the National Exchequer. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for non recovery of outstanding dues on account of working, closed, digital subscriber lines, casual, unidentified and primary rate interference connections and violation of rules should be fixed, recovery of the amounts with interest from the departments concerned should be ensured and deposited into Government account.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos. 209, 213, 221 to 223, 233 to 236, 239 to 243, 276, 288 to 291, 293, 371 to 374, 499, 502 to 504, 510, 515, 517, 518, 520, 521)

3.5 Non recovery of charges due to damage to NTC network - Rs 1.527 million

According to Rule 28 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 assessed, realized and credited to accounts. No amount due to Government should be kept outstanding.

NTC Out Side Plant (OSP) network was damaged by the Program Management Unit (PMU) Kasur under Irrigation Department during construction of road and sewerage pipe lines at Kham road, Kasur. The damaged OSP network was replaced by the NTC on 12.11.2010 but the cost

of reconstruction of the network of Rs 1.527 million were not recovered from the concerned Department.

The matter was reported in October 2013 and it was replied that the Provisional Capital Cost bills along with reminders were forwarded to concerned PMU and several meetings were also conducted with the officers but they are reluctant to pay the amount of PCC bill.

The reply is misleading and therefore not acceptable. The charges on account of damage to NTC network by the PMU Kasur should be recovered from the concerned Department or adjust with the Provincial Government of Punjab. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for non recovery of damage charges should be fixed besides recovering the amount from the concerned Department or Provincial Government of Punjab alongwith interest and deposited it into Government account.

No progress was intimated till the finalization of this Report.

(Based on PDP No.229)

3.6 Non recovery on account of rent of building - Rs 4.479 million

According to clause 1 (b) (iv) of lease agreement between Director NTC Lahore and M/s Multinet Pakistan (Private) Limited, 3 month advance payment will be paid on a quarterly basis failing which a monthly surcharge of 5% would be payable as penalty.

Director NTC, Lahore rented out 1st and 2nd floor of NTC building to M/s Multinet and submitted a claim on quarterly basis of Rs 27.865 million on account of rent and late delivery charges from 1.5.2012 to 31.8.2013. M/s Multinet deposited only Rs 23.386 million leaving a balance of Rs 4.479 million.

The matter was reported in October 2013 and it was replied in December 2013 that efforts were underway to recover all outstanding dues as per NTC contract agreement with M/s Multinet.

The reply is not convincing as even after a period of 15 months, NTC failed to recover Rs 4.479 million from M/s Multinet. No DAC meeting was convened by the PAO.

Audit recommends that NTC should issue a warning to M/s Multinet to pay the recoverable amount of Rs 4.479 million along with interest within three weeks or face administrative action. NTC should also investigate as to why no action had been taken by the officers responsible so far and disciplinary action be taken against them for tolerating this delay.

No progress was intimated till the finalization of this Report.

(Based on PDP No.225)

3.7 Non recovery on account of micro wave circuits, colocation charges and MSDN from various telecom operators - Rs 54.753 million

According to Rule 28 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 assessed, realized and credited to accounts. No amount due to Government should be kept outstanding.

NTC Management did not recover an amount of Rs 54.753 million on account of rent of microwave circuits, colocation charges and Multi Service Data Network intranet from various telecom operators during 2012-13.

The matter was reported in October 2013 and it was replied in December 2014 that concrete efforts are being made to recover the outstanding amount.

The reply is misleading therefore not acceptable. The record did not show any concrete efforts made for recovery of outstanding dues as stated above. Moreover NTC shows a consistent pattern of allowing its liabilities to accumulate thus depriving the organization of much needed cash. No DAC meeting was convened by the PAO.

Audit recommends that reasons for non recovery be investigated and disciplinary action be taken against the persons responsible. The amount due should be recovered from telecom operators within a month otherwise all services should be stopped to them.

No progress was intimated till the finalization of this Report.

(Based on PDP No.428)

3.8 Deláy in recovery of NTC dues on account of pre deposit works - Rs 28.224 million

As per Para 10 of NTC 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.

NTC failed to recover an amount of Rs 28.224 million against pre deposit works during financial year 2012-13.

The matter was reported in October 2013 and it was replied in December 2013 that the *Final Capital Cost bills had already been issued to the concerned agencies and amount would be realized shortly.*

The reply is misleading therefore not tenable. The amount was required to be recovered within two months of the receipt of FCC bill by the client but it was not recovered even after close of the financial year. No DAC meeting was convened by the PAO.

Audit recommends that the matter be investigated and responsibility be fixed on persons who failed to recover the amount on account of pre deposit work within scheduled time. Moreover the amount be recovered along with interest.

No progress was intimated till the finalization of this Report.
(Based on PDP No 201, 364, 491, 516)

3.9 Unauthorized expenditure on account of qualification pay - Rs 1.873 million

According to Finance Division (Regulation Wing) OM No.4(7)R-4/2009-NTC dated 26.02.2013 and NTC Headquarter letter No.HR: 18-53/2012/290 dated 27.02.2013, revised qualification pay was approved w.e.f 01.07.2012 as under:

Qualification	Existing Rates Rs Per Month	Revised Rates Rs Per Month
SAS/PFA	400	800
ICMA/ICWA (part-III)	400	800
ICMA/ICWA	1200	2100
Chartered Accountant	1300	2300
Staff College/NMC/NDC	1000	2000
NIPA Advance Course	500	1000
Mid Career Mgt course	250	500

NTC incurred an expenditure of Rs 1.873 million on account of payment of qualification pay @ Rs 1,200 to its employees whereas revised qualification pay did not include this rate.

The matter was pointed out in October 2013 and it was replied in December 2013 that qualification pay to employees was being paid as per Rule No.3.3 (iii) of NTC Service Regulations duly approved by Finance Division. It was further elaborated that while forwarding revision in pay scales 2012 to Ministry of Finance only those heads of pay and allowances

were mentioned wherein some change / increase was required. Other heads of pay and allowances which were being paid to employees as approved in NTC Service Regulations did not require re approval of Ministry of Finance.

The reply is misleading hence not acceptable as qualification pay @ Rs 1,200 per month was not approved by the Finance Division in pay scale 2012. No DAC meeting was convened by the PAO.

Audit recommends that NTC should investigate and fix responsibility on those, who approved these unauthorized payments along with recovery of the amounts on account of unapproved qualification pay already made.

No progress was intimated till the finalization of this Report.

(Based on PDP No.248, 283, 378, 430, 506)

3.10 Inefficient planning by NTC causing delay in project completion - Rs 4.219 million

According to Rule 4 of PPRA Rules 2004 Procuring agencies, while engaging in 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.

Development Working Party approved a PC-1 on 12 March, 2012 with a total cost of Rs 8.313 million to be completed in eight months. After a 10 month delay, work was awarded to M/s Relcom International on 28 January, 2013 for laying of underground optical fiber cable, and an expenditure of Rs 4.219 million was incurred during 2012-13. In addition Multi Services Access Gateway equipment had to be procured for the project, however no tenders were floated and the project remained incomplete.

The matter was reported in October 2013 and it was replied in December 2013 that the issuance of work order was delayed due to non availability of underground cable. As regard to procurement of MSAG the same will be installed on its receipt from NTC Headquarter.

The reply is misleading hence unacceptable as the PC-I was prepared in 2005 and approved in 2012 giving ample time to NTC to plan and make necessary procurements. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated and responsibility fixed on those who caused delay in procurements and subsequently delay in the completion of the project.

No progress was intimated till the finalization of this Report.

(Based on PDP No.203)

3.11 Undue favour towards a contractor who delayed project by 5 years - Rs 3.675 million

According to Rule 19 of PPRA Rules 2004, the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fails to provide satisfactory performances or found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

NTC awarded work to M/s Telecom Foundation amounting to Rs 3.675 million for Laying of Optical Fiber Cable, with the completion date 24 May, 2008. Work was completed on 4 April, 2013 with an abnormal delay of 5 years. The Project Director did not take any action against the contractor for delay in completion of work except for minor recovery of Liquidated Damages.

The matter was reported in August 2013 and it was replied in

December 2013 that no undue favour was extended to the contractor. The work was awarded after open tendering to the lowest bidder. LD charges for the delayed period had been deducted.

The reply is misleading therefore not acceptable as M/s Telecom Foundation completed the work after an abnormal delay of 5 years but the contractor was not blacklisted. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated for extending undue favour to the contractor to fix responsibility on those who extended this favour and to take necessary action to blacklist the contractor.

No progress was intimated till the finalization of this Report.

(Based on PDP No.206)

3.12 Award of work at higher rates - Rs 1.308 million

According to Rule 4 of PPRA Rules, 2004, the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner. Rule 29 further states that procuring agencies shall formulate an appropriate evaluation criterion 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.

NTC floated a tender for laying of Optical Fiber Cable Network (OFC), in which M/s Rehmani Brothers was the bidder offering a bid price of Rs 654,269. The Central Procurement Committee (CPC) recommended the award of work to the lowest bidder but the work was awarded to the 2nd lowest bidder at the cost of Rs 1.308 million on the plea that a case for blacklisting of M/s Rehmani Brothers was in process. The award of work to the 2nd lowest bidder at higher rates resulted into a loss of Rs 663,060 to the corporation.

The matter was pointed out in August 2013 and it was replied in

December 2013 that initially the contract was awarded to the lowest bidder by the tender evaluation committee, however, the DG operation informed that a case of black listing the contractor was under process, the contract was awarded to the 2nd lowest bidder.

The reply is misleading therefore not acceptable, because M/s Rehmani Brothers has not been black listed up till now. Further PPRA website also did not show the contractor as blacklisted. No DAC meeting was convened by the PAO.

Audit recommends that the matter be investigated and responsibility fixed on those who rejected the 1st lowest bidder on a false information. Moreover the loss be recovered from the persons held responsible.

No progress was intimated till the finalization of this Report.

(Based on PDP No.208)

3.13 Unlawful award of contract for bill distribution - Rs 1.735 million

According to rules 30 (1), 31 and 40 of PPRA Rules, 2004, no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents. No bidder shall be allowed to alter or modify his bid after the bids have been opened. Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

NTC invited bids for distribution of telephone bills, in which M/s Multinet Products and Services Rawalpindi was declared the lowest with the rate of Rs 3.87 per bill, however NTC rejected its bid on the basis of insufficient experience. NTC had not established any criteria for evaluation of the bids and awarded contract to M/s Document Handling System Islamabad, who reduced the rates after negotiation from Rs 4.25 to Rs 3.87 per bill in violation of the above rules. A payment of Rs 1.735 million on this account was made to the contractor during 2012-13.

The matter was reported in October 2013 and it was replied in December 2013 that technical evaluation was necessary for the qualification of the bidder. M/s Document Handling System had obtained maximum scores i.e. 90 marks as compared to Multi Product and Services. No change was made in the bid of M/s DHS as pointed out by audit. Rate of Rs 3.87 per distribution of bill was recommended by the committee and the same was approved from the NTC Headquarter. M/s Multi Products and Services lodged a complaint in Wafaqi Mohtasib Secretariat regarding award of work in favour of M/s Document Handling System which is in process.

NTC admitted award of contract to other than the lowest bidder, hence reply was not acceptable as no evaluation criteria was mentioned in tender documents. The bid amount was reduced after opening of bids and as a result of negotiation and the lowest bidder rejected on the basis of criteria that had not been part of the tender. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated to fix the responsibility for violation of PPRA Rules and award of work to M/s Document Handling System by ignoring the lowest bidder M/s Multi Products and Services.

No progress was intimated till the finalization of this Report.

(Based on PDP No.275)

3.14 Irregular expenditure on procurement of generators - Rs 17.242 million

According to Rule 31 (1) of PPRA Rules 2004, no bidder shall be allowed to alter or modify his bid after the bids have been opened. However the procuring agency may seek and accept clarifications to the bid that do not change substance of the bid. Further, clause 4 of the contract made between NTC and M/s Worldwide regarding supply, installation, testing and commissioning of Diesel electric generators at NTC Islamabad, requires that

the engine of the DG set must be CUMMINS (USA) and alternator must be STMFORD (UK).

NTC awarded the contract to M/s Worldwide on 15.02.2010 for supply, installation, testing and commissioning of 2 x Diesel Generators with a total cost of Rs 17.242 million for Islamabad Region. Despite the reservations of inspection team, NTC Management accepted the supply of China made generators (engine and alternator) instead of USA made. An amount of Rs 5.556 million was paid to the contractor during financial year 2012-13.

The matter was reported in October 2013 and it was replied in December 2013 that the firm supplied china made DG sets, however NTC Management decided to accept the generators and impose a 10% penalty on the firm.

NTC admitted violation of the contract agreement hence reply is not acceptable. NTC made payment for lower quality brand and tried to cover up this incorrect decision by deducting 10% penalty from the contractor. No DAC was convened by the PAO.

Audit recommends that inquiry should be made, responsibility fixed and disciplinary action initiated against the persons held responsible.

No progress was intimated till the finalization of this Report.

(Based on PDP No 391)

3.15 Unlawful purchase of cable by ignoring the lowest bidders Rs 89.559 million including loss - Rs 1.699 million

According to rules 8 and 38 of PPRA Rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or

completion date and benefits that are likely to accrue to the procuring agency in future. The bidder with the lowest evaluation bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

NTC invited open tender on 03.05.2010 for purchase of underground cables of 16 different sizes. 3 firms participated in the tendering process but the tender was cancelled without recording any reason. The items were retendered on 25.06.2012 in which again the same 3 firms participated and were declared lowest as under:

S.No	Name of firms	Type of cables in which firms were lowest	
		1 st tender	2 nd tender
1	M/s Premier Cables	08	06
2	M/s PTCL	04	04
3	M/s Flash Communication	04	06

NTC declared M/s Premier Cables overall lowest at a cost of Rs 61.925 million despite the fact that other two contractors were lowest in 10 types of cables. Resultantly, NTC sustained a loss of Rs 1.699 million due to award of work to bidder who was overall lowest instead of item wise basis. Further, additional cable amounting to Rs 16.109 million and a repeat order of Rs 11.526 million was also included in the procurement after opening of bids which increased the total cost upto Rs 89.560 million in violation of the tender document.

The matter was reported in October 2013 and it was replied in December 2013 that during the process of tender approval, another requirement was received from controller stores NTC Headquarter. The same requirement was made part of main contract to avoid tendering for this small quantity. The decision to evaluate the tender as a whole or on item wise basis was made keeping in view the best possible option available with the procuring agency.

NTC admitted violation of PPRA Rules hence reply is not acceptable. NTC increased the quantity of cable to be purchased after tender was opened, which showed lack of planning in the assessment of its needs, thus depriving the corporation of competitive rates. Moreover NTC ignored its interest by awarding contract on an overall lowest bidder basis instead of item wise basis. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility fixed on those responsible for violation of PPRA Rules.

No progress was intimated till the finalization of this Report.

(Based on PDP No.393)

3.16 Unlawful procurement of rectifier system without tendering - Rs 7.150 million

According to rule 12 (2) of PPRA Rules 2004, all procurement opportunities over Rs 2 million should be advertised on the authority's website as well as in other print media or newspapers having wide circulation.

NTC prepared a proposal on 07.06.2009 for supply, installation, testing and commissioning of rectifier system and declared it as an emergency. Hence, procurement was made without tendering process on quotation basis. The quotations were obtained from the following firms:

S.No.	Name of Firm	Rate (Rs)
01	M/s Telephone Industries of Pakistan (TIP)	7,443,810
02	M/s NEXTRA	7,150,057
03	M/s ZTE	6,815,423

M/s TIP and M/s ZTE did not meet NTC's requirement, and the work was awarded to M/s Nextra on 22.06.09 at a cost of Rs 7.150 million with the completion date upto 31.08.2009. M/s Nextra delivered the

equipment on 24.11.2009 whereas the remaining work was completed on 10.01.2013 with a delay of more than 3 years. The abnormal delay proves that there was no urgency in getting the work done, and emergency was declared to avoid tendering process. An amount of Rs 1.788 million was paid during financial year 2012-13.

The matter was reported in October 2013 and it was replied in December 2013 that the case was initiated for emergency procurement of rectifiers and quotations were received from 3 firms. The contractor installed the systems in September 2009 therefore the stance of Audit that the work was completed in 3 years needs reconsideration.

The reply is misleading therefore not acceptable. As per record the work was completed in 2013 therefore the stance regarding completion of work in September 2009 is not correct. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed for violation of rules besides initiating disciplinary action against the officers held responsible.

No progress was intimated till the finalization of this Report.

(Based on PDP No.394)

3.17 Irregular procurement of optical fiber cable - Rs 16.494 million

According to rules 8 and 30 (3) of PPRA Rules 2004, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future. A bid once opened in accordance with the prescribed procedure shall be subject to only those rules, regulations and policies that are in force at the time of issue of notice for invitation of bids.

NTC invited open tenders on 24.06.2012 for procurement of optical fiber cables in which two firms M/s Premier Cables and M/s AK Enterprises participated. The evaluation committee rejected the bid of M/s AK Enterprises due to submission of bid security in the form of a cheque instead of pay order / bank draft. Only M/s Premier Cables was qualified with the rate of Rs 12.903 million. Additional cable amounting to Rs 1.699 million was also incorporated and work was awarded with the cost of Rs 14.602 million on 26.09.2012. Further, repeat order of Rs 1.892 million was also issued on 12.03.2013. The value of original tender was Rs 12.903 million which was enhanced upto Rs 16.494 million after opening of bid in violation of PPRA Rules.

The matter was reported in December 2013 and it was replied that during the process of tender approval, another requirement was received from controller stores NTC Headquarter. The same requirement was made part of main contract to avoid tendering for this small quantity. Regarding award of contract to single bidder, it is worth noting that 03 firms purchased the tender documents whereas 02 firms participated in the bidding process and the single bidder qualified. PPRA also do not disallow single bidder.

NTC admitted violation of PPRA Rules hence reply is not acceptable. Had the Corporation floated tender for higher quantity, it would have gained the benefit of most economical rates. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed and disciplinary action initiated against the officers responsible for violation of the rules.

No progress was intimated till the finalization of this Report.

(Based on PDP No 395)

3.18 Unauthorized award of contract at higher rates - Rs 36.636 million including loss - Rs 9.411 million

According to rules 38, 40 and 42 (c) (iii) of PPRA Rules, 2004 the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal government, shall be awarded the procurement contract, within the original or extended period of bid validity. Further, save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder. The contract or contracts should not exceed three years in duration.

NTC Headquarter prequalified five security guard companies and financial bids were obtained from these companies. The rates of M/s Orel Security Management services at Rs 5,945 per security guard were lowest but the contract was awarded to M/s Askari Guards (Pvt) Ltd (AGL) @ Rs 8,000 per security guard after negotiation. Resultantly NTC sustained loss of Rs 9,411 million due to award of contract at higher rates. The contract was continuously renewed with 10% increase in rates each year without calling fresh tenders and an expenditure of Rs 36.636 million was incurred for the period w.e.f 01.07.2007 to 30.06.2013 out of which an amount of Rs 6.465 million pertains to financial year 2012-13.

The matter was reported in October 2013 and it was replied in December 2013 that M/s AGL secured the highest marks in technical and financial evaluation by the committee. Therefore, M/s Askari Guards (Pvt) Ltd., was selected for the provision of security services at NTC sensitive installation all over Pakistan. The contract was made with M/s AGL for a period of one year w.e.f. 01.07.2007, further extendable on satisfactory performance with 10% annual increase with mutual consent as per Section 6 of the Contract Agreement.

The reply is misleading hence not acceptable as the lowest bidder technically qualified, was rejected and work was awarded at higher rates

after negotiation. Moreover retendering process was not made after three years. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility fixed on those who awarded contract to a higher bidder and recovery affected from those who caused a loss to NTC. Responsibility should also be fixed on those gave undue favour to the contractor by extending the contract beyond 3 years in violation of the rules.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos.296, 399)

3.19 Unauthorized expenditure on account of payment to State Life Corporation - Rs 8.597 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 special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

NTC Management incurred an expenditure of Rs 8.597 million on account of payment of premium to State Life Insurance Corporation of Pakistan for provision of insurance to NTC employees. The insurance policy was neither approved in Accounting Procedure of NTC nor from competent authority. Further, no deduction of state life insurance was made from the pay of employees.

The matter was reported in October 2013 and it was replied that 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 is misleading therefore not acceptable as policy adoption of "State Life Insurance Corporation" for all regular employees of NTC was not approved from competent forum. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility fixed for violation of rules besides initiating of disciplinary action against officers who approved life insurance policy for NTC employees. Moreover life insurance policy be discontinued.

No progress was intimated till the finalization of this Report.

(Based on PDP No.401)

3.20 Unauthorized hiring of private vehicle for pick and drop of staff - Rs 1.448 million

According to pay package of NTC approved vide Finance Division OM No. F.4 (2) R.4/2007 dated 12 December 2007, the conveyance allowance was fixed for the staff and further revised w.e.f 01.09.2012.

NTC Headquarter signed a contract with M/s Rizwan Mehboob transport company for hiring of a private vehicle for pick and drop service to its staff at a cost of Rs 1.448 million. An amount of Rs 958,800 was paid during 2012-13. NTC staff was already in receipt of conveyance allowance, hence, arranging a pick and drop service for them was a loss to the corporation.

The matter was reported in October 2013 and it was replied in December 2013 that in order to improve welfare measures of NTC employees and to motivate them towards better job performance, transportation for NTC employees has been managed as per approval of NTC Management Board.

The reply is misleading therefore not acceptable. The policy for

hiring of transport for staff was unauthorized being not approved from Finance Division, moreover staff was also enjoying the facility of conveyance allowance. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility fixed on officers who approved this scheme and pick and drop service be discontinued.

No progress was intimated till the finalization of this Report.

(Based on PDP No.402)

3.21 Unlawful expenditure for hosting and maintenance of Government of Pakistan portal and websites abroad - Rs 12 million

According to Rules 34 of PPRA Rules, 2004, save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

NTC awarded work of hosting Government of Pakistan website to M/s Net Access for one year with the cost of Rs 5.148 million, but the contract was made for 03 years. After 10 months NTC terminated the contract due to poor performance and made contract with 2nd lowest bidder i.e. M/s Server Sale after negotiation at the level of 1st lowest bidder for two months (Feb and March, 2011) with a cost of Rs 858,000. The contract was further extended for 2 years at enhanced rates without calling fresh tender hence, extension of contract for Rs 12.000 million stands unjustified.

The matter was reported in October 2013 and it was replied in December 2013 that contract was made for one year only, and rates for 2nd and 3rd years were mentioned optionally. Clause 19 depicts that contract for 2nd and 3rd year will be made on mutual consent of both parties. Contract was made with 2nd bidder so as to save time because hosting of Government web portal is a sensitive matter and requires urgent action. No negotiation

was made, M/s Sever4sale offered voluntarily a discount which was accepted by NTC being in its favor.

The reply is not acceptable as work was awarded to 2nd lowest bidder after negotiation. The extension for further two years was made instead of retendering and rates were enhanced every year without obtaining the fresh rates. No DAC meeting was convened by the PAO.

Audit recommends that the matter be investigated and existing practice should be stopped and responsibility fixed on those who violated PPRA Rules.

No progress was intimated till the finalization of this Report.

(Based on PDP No.404)

3.22 Unauthorized expenditure on purchase of Universal Media Gateways (UMGs) - Rs 12 million

According to Rules 34 of PPRA Rules, 2004, if the procuring agency has rejected all bids it may call rebidding. Furthermore, according to of NTC Headquarter letter dated 10.08.2010, it has been decided in appraisal and DWP meetings that UMGs will be procured through open tender basis.

NTC floated tender for purchase of UMGs in which only one bidder participated. A committee was constituted to study whether NTC should go for open tendering for purchase of 3 new UMGs or purchase from an old vendor who had provided NTC 21 UMGs in 2006. The committee recommended the award of contract to the old vendor i.e M/s Huawei Technologies who submitted a quotation and agreed at the price of Rs 12 million. The work was awarded on 31 March 2011 instead of retendering in violation of the above rules.

The matter was reported in October 2013 and it was replied in December 2013 that contract was awarded to M/s Huawei on proprietary

basis on the recommendation of committee formulated to check the advantages / disadvantages in the face of technical specification and compatibility issues of systems already installed.

The reply is misleading therefore not acceptable. The Universal Media Gateways (UMGs) are not a proprietary item and different suppliers were available in the market i.e. M/s Zymbia and M/s ZTE. No DAC meeting was convened by the PAO.

Audit recommends that the matter be investigated and responsibility be fixed for violation of rules against the officers held responsible.

No progress was intimated till the finalization of this Report.

(Based on PDP No.405)

3.23 Manipulation of tendering process causing a loss of Rs 313,558 and unlawful enhancement in quantity of jointing material amounting to Rs 6.004 million

According to Rules 33 (1) of PPRA Rule, 2004, the procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. Further, as per rules 8, within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

NTC invited tenders for procurement of jointing material along with accessories on 04.05.2012. The tender evaluation committee recommended M/s Greenz International, the lowest bidder in supply of jointing material with the cost of Rs 628,236 and M/s Powertech Links for 25 pair modules and UY2 connectors with the cost of Rs 193,848.

The tenders were cancelled on 08.06.2012 on the pretext that prices

quoted were beyond the budget limit. The retendering was made on 26.06.2012 in which M/s Greenz International was the lowest bidder with the cost of Rs 677,448 and M/s Powertech Links with the cost of Rs 193,848. Thus M/s Green International enhanced its rates in the 2nd tender. The works were awarded to M/s Greenz International and M/s Powertech Links with the cost of Rs 4.762 million and Rs 1.242 million respectively, as the quantity of material was enhanced upto Rs 6.004 million after opening of 2nd tender. Resultantly, the Corporation sustained a loss of Rs 373,558.

The matter was reported in October 2013 and it was replied in December 2013 that the prices of cables was on higher side which were going beyond the budget limit, therefore, procurement was cancelled as per CPC directions for retender. In the retender, prices of jointing material slightly enhanced but the prices of cables were very much reasonable.

The reply is misleading hence not acceptable, as the cancellation of the 1st tender on the pretext that prices were beyond budget limit proved to be false as in the 2nd tender prices quoted by M/s Greenz were higher than those in the 1st tender. Moreover quantity was also increased after the 2nd tender which showed that budget was available at the time of the 1st tender. Had the Corporation floated tender for the enhanced quantity, it would have gained the benefit of most economical rates. No DAC meeting was convened by the PAO.

Audit recommends that the matter should be investigated, disciplinary action initiated, responsibility fixed and the amount of loss be recovered from those involved in manipulating the tender process and hence causing a loss to the corporation.

No progress was intimated till the finalization of this Report.

(Based on PDP No.406)

3.24 Loss due to non finalization of tendering process - Rs 3.081 million

According to Rule 4 of PPRA Rules 2004, procuring agencies, while engaging in 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.

NTC opened a tender for bill printing and distribution on 06.03.2012, in which M/s Pakistan Post Foundation was declared lowest at the rate of Rs 602,300, however The NTC extended the contract of previous contractor M/s Excel Solutions at the cost of Rs 859,040 till February 2013. Resultantly NTC sustained a loss of Rs 3.081 million (Rs 859,040 – 602,300 x 12).

The matter was reported in October 2013 and it was replied in December 2013 that extensions were given to M/s Excel due to constraints of procurement process cycle so that billing is not discontinued.

The reply is not acceptable as the contract of M/s Excel Solutions (Pvt.) Ltd was extended for more than one year despite availability of lowest bidder. No DAC meeting was convened by the PAO.

Audit recommended that the loss may be recovered and matter may be investigated to fix the responsibility for violation of the rules.

No progress was intimated till the finalization of this Report.

(Based on PDP No.408)

3.25 Unlawful expenditure on purchase of stationery - Rs 2.891 million

According to Rule 38 of PPRA Rule, 2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement

contract, within the original or extendable period of bid validity. Further, as per contract agreement dated 03.11.2011 between NTC and M/s Hurrf Traders, the contract was for a period of one year.

NTC invited bids for purchase of stationery, in which M/s United Stationers was lowest with the cost of Rs 2.823 million however M/s Hurrf Traders was declared lowest at the cost of Rs 2.865 million. M/s Hurrf Traders decreased its rates and contract was made with the cost of Rs 2.835 million on 03.11.2011 for one year. The contract was extended for further one year without calling fresh tenders and an expenditure of Rs 2.891 million was incurred on purchase of stationery for the year 2012-13.

The matter was reported in October 2013 and it was replied in December 2013 that the initial duration of the contract was 01 year with provision of one more year. As extension in contract duration is in line with contract provisions; hence the process remained transparent.

The reply is not acceptable because NTC ignored the 1st lowest bidder in favour of M/s Hurrf Traders, the 2nd lowest in violation of PPRA Rules. Moreover it entered into negotiation with M/s Hurrf which was also against the provisions of PPRA Rules. No DAC meeting was convened by the PAO.

Audit recommends that the matter should be investigated to fix the responsibility for violation of the rules besides effecting the recovery of loss from the officers concerned.

No progress was intimated till the finalization of this Report.

(Based on PDP No.409)

3.26 Unauthorized award of contract of MSAG - Rs 26 million and loss due to late completion of project - Rs 22.662 million

As per clause 3.4 of the contract agreement signed between NTC and

M/s Huawei on 26.05.2012, the contractor shall not subcontract the whole or any part of the works without the consent of NTC. Further annexure E of the contract, the completion period of the contract was 113 days.

NTC Management signed a contract agreement with M/s Huawei on 26.05.2012 with the cost of Rs 26 million as a sole proprietor. The PC-I regarding provision of Multi Service Access Gateway (MSAG) equipment and laying of OFC network was approved on 23.04.2011. The work was awarded after more than 1 year of approval of the project. The contractor sublet the work without consent of NTC in violation of the above rules. Further Director Development North Islamabad pointed out several discrepancies and non serious behavior of the contractor in completion of work but no action was taken by the NTC management. The annexure J of the PC-I showed forecasted revenue of Rs 22.662 million which was not accrued due to non completion of the project till now and considered as a loss of revenue to NTC.

The matter was reported in October 2013 and it was replied in December 2013 that the firm supplied the equipment and thereafter services were provided to NTC subscribers since August 2012. Certain discrepancies were highlighted in the Provisional Acceptance Test due to which Provisional Acceptance Certificate has not been issued. Chairman NTC approved change in Delta rectifier with Huawei made rectifier.

The reply is not acceptable as the work was sublet to other firms and specification of the work was changed. Further the Corporation sustained loss of expected revenue due to non completion of work in time. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility fixed for violation of contract agreement and change of specification.

No progress was intimated till the finalization of this Report.

(Based on PDP No 205, 415)

3.27 Unlawful extension of contract beyond 3 years resulting in illegal expenditure on account of bill processing - Rs 14.007 million

According to Rule 42 (c) (iii) of PPRA Rule 2004, the contract or contracts should not exceed three years in duration.

NTC signed a contract agreement with M/s Computer Research (Pvt.) in May 2005 for 3 years. In 2007 rates of two services were increased and three new services were added, moreover the contract period was extended beyond three years and further extended for five years. An expenditure of Rs 14.007 million was incurred during 2012-13 without calling fresh tenders.

The matter was reported in October 2013 and it was replied in December 2013 that the services of M/s CRPL for customer and interconnect billing were hired as NTC does not have its own billing system. Moreover, the rates for each service were the same as in 2005 and have never been increased despite inflation.

The reply is not based on fact hence not acceptable. Rates for services agreed upon in the 3 year contract agreement were enhanced after two years without calling tenders. Further, retendering process was not made after three years and contract extended for 8 years. No DAC meeting was convened by the PAO.

Audit recommends that retendering process should be initiated besides fixing of the responsibility for violation of the rules.

No progress was intimated till the finalization of this Report.

(Based on PDP No.420)

3.28 Inordinate delay in PC-I to PC-IV of project resulting in non capitalization of expenditure - Rs 344.769 million

According to Rule 310 and 312 of GFR Vol-I, expenditure of a capital nature is broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character, or of extinguishing or reducing recurring liabilities, such as those for future pensions by payment of commuted value. Expenditure on a temporary asset cannot ordinarily be considered as expenditure of a capital nature. When, it has been decided by Government that the expenditure on a scheme for the creation of a new or additional asset should be classed as capital expenditure and that separate capital and revenue accounts should be kept of such a scheme.

NTC incurred an expenditure of Rs 344.769 million on the project optical fiber based transmission link between Kety Bandar/Port Qasim to Jiwani. The expenditure has not been capitalized as the project was completed in June 2006 but the revised PC I and PC IV (Completion Report) have still not been approved. As per PC I, the total forecasted revenue for five years was Rs 496.749 million.

The matter was reported in October 2013 and it was replied in December 2013 that the revised PC I and PC IV had already been submitted to Ministry of IT for approval. Accordingly, case for capitalization of assets worth Rs 344.769 million has recently been approved by the Chairman NTC, and the assets are being capitalized. A huge sum of revenue amounting to Rs 250 million has been earned till date from this beneficial project after operationalization of 8 NTC exchanges.

The reply is not based on facts hence not acceptable. No documentary evidence was provided regarding capitalization of expenditure. The revenue being generated from the project was not depicted in any document and the revised PC I and PC IV were not approved as yet. No

DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed for non approval of the revised PC I and PC IV and capitalization of the expenditure.

No progress was intimated till finalization of this Report.

(Based on PDP No.421)

3.29 Loss to NTC due to award of contract at higher rates - Rs 3.528 million

According to Rule 4 of PPRA Rules 2004, procuring agencies, while engaging in 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.

NTC awarded contract to M/s Transworld Associates for provision of IP transit service of 4 STM-1 for a period of one year w.e.f. 1 April, 2011 to 31 March, 2012 @ US\$ 28,000 per month. NTC extended the contract on the same rate for one year despite the fact that M/s PTCL offered a rate of US\$ 25000 per month of 5 STM-1 on 26.03.12. NTC sustained loss of Rs 3.528 million (US\$ 28,000-25,000x98x12) due to non award of contract to PTCL.

The matter was reported in October 2013 and it was replied in December 2013 that there are only two IP Bandwidth service providers i.e. TWA and PTCL. In May 2012, PTCL offered 6 STM-1 at the cost of US \$ 28,000 which was matched by TWA but NTC was utilizing 5 STM-1 for its country wide needs. NTC was bound by the agreement with TWA to give a prior notice of 90 days before termination of services. If the notice had been served in May 2012, effective date of termination of services would have been August 2012. On the other hand NTC extended the agreement with TWA and hired one additional STM-1 in the same amount i.e. US \$ 28,000

per month keeping in view the Data Communication requirements and hence no financial loss was occurred.

The reply is irrelevant therefore not acceptable. The rates offered on 26.03.12 by PTCL for May 2012 onwards was US\$ 25,000 per month but NTC extended the contract @ US\$ 28,000 per month without obtaining fresh rates and by ignoring PTCL rates. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed for award of contract at higher rates and without obtaining competitive rates besides effecting recovery of loss from the officers concerned.

No progress was intimated till the finalization of this Report.

(Based on PDP No.422)

3.30 Unauthorized investment of funds - Rs 3,461.475 million

According to MoF 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 Telecom Reorganization Act 1996. There is no provision under the Act which allows 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 FCF and any deficit from actual expenditure shall be made up by Federal Government". Further FD OM No F.4(1)/2002-BR-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.

NTC approved working balance was Rs 300 million which could be placed in a bank as per approved policy, however NTC management withdrew Rs 3,461.475 million from NIDA account and invested in commercial banks without any legal authority.

The matter was reported in October 2013 and it was replied in December 2013 that NTC own investment are part of cash available which is appropriated against development / replacement of assets, working capital and accrued and other liabilities. If any surplus is determined, after appropriation as per Annexure C (3) to the S.R.O No. 171(i)/99 dated 8th February, 1999, it will be remitted to Federal Consolidated Fund, if not appropriated for next financial year. Further, the funds are not to be kept idle and invested in interest bearing schemes with scheduled banks to avoid interest loss to the Corporation as per Government policy.

NTC admitted deviating from the provisions of the Act hence reply is not acceptable. Each year NTC used the unspent amount allocated for the Annual Development Programme and invested those funds without any legal authority. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed and disciplinary action taken against those responsible for violation of the provisions of the Telecom Reorganization Act 1996 by investing surplus receipt instead of remitting it into the Federal Consolidated Fund.

No progress was intimated till the finalization of this Report.

(Based on PDP No.426)

3.31 Unauthorized retention of benevolent fund and investment in the bank - Rs 4.968 million

According to para 9 to Annexure B of the NTC Accounting Procedure, the deduction / contribution in respect of Benevolent Fund shall be remitted to Board of Trustees of Benevolent Fund of Federal Government before 10th of every month.

NTC deducted an amount of Rs 4.968 million at source from employees on account of benevolent fund and invested it in various banks instead of transferring it to Board of Trustees of Benevolent Fund.

The matter was reported in October 2013 and it was replied in December 2013 that amount deducted and deposited into NBP Account No.BF-NIDA-15-7 Marriot Hotel Branch, Islamabad was in the Name of Board of Trustees titled as BF-NIDA-15-7. Therefore, all deductions / contributions made in respect of Benevolent Fund may be considered as remitted to Board of Trustees.

The reply is not acceptable as the amount of Benevolent Fund was not remitted to the Board of Trustees of Benevolent Fund of Federal Government, moreover the account No. BF-NIDA-15-7 has been opened by NTC itself and does not belong to the Board of Trustees of Benevolent Fund of Federal Government. No DAC meeting was convened by the PAO.

Audit recommends that the amount should be remitted to the Board of Trustees of Benevolent Fund of Federal Government.

No progress was intimated till the finalization of this Report.

(Based on PDP No.416)

3.32 Unlawful expenditure on purchase and repair of different items without calling tenders of Rs 2.134 million

According to Rule 12 of PPRA Rules, 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 and format 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 2.134 million on replacement, repair and purchase of different items on quotations basis instead of rates to be obtained through open competitive bidding. Detail is as under:

S. No.	Name of formation	Description	Supplier	Amount (Rs)
01	Director NTC, Lahore	replacement of dry batteries and repair of Generator	M/s Techno Engineering Progressive	852,202
02	Director NTC, Islamabad	purchase of 15 ADL Cards	M/s 3G Networking Solutions	375,000
03	Director NTC, Karachi	purchase of 02 MO Drives	M/s Mahasa Pakistan Rawalpindi	231,768
04	Director NTC, Karachi	Purchase of drinking water	03 different suppliers	408,956
05	NTC Headquarter	purchase of 01 hard drive	M/s Tech access Pakistan	265,799
Total				2,133,725

The matter was reported in October 2013 and it was replied in December 2013 against Sl. No 1 to 3 that all the items were of urgent nature and procured on quotation basis. It was replied against Sl. No.4 that audit instructions have been noted for future compliance. Regarding Sl. No.5, it was replied that tender for said case was floated in electronic media however "Nil" participation was observed. However, procurement of said hard drive on quotation basis was made as per NTC accounting procedure.

The reply is not acceptable as the emergency was not approved by as required in Rule 42(c) (v) of PPRA 2004. Further, retendering process was not adopted in case of Sl. No.5. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated responsibility fixed and disciplinary action initiated against those responsible for violation of PPRA Rules.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos.238, 286, 297, 298, 454)

3.33 Non recovery of Liquidated Charges - Rs 3.294 million

According to clause 9.1 and 9.2 of the contract agreements, in case

the contractor fails to complete the work, within the prescribed time, then the contractor shall pay to NTC liquidated damages equivalent to 0.5% per week of the final value of the actual work / final payment. The maximum liquidated damages to be paid by the contractor will be 10% of total value of actual work done in case of delay.

NTC did not recover liquidated charges of Rs 3.294 million from the contractors who failed to complete the work in prescribed period.

S. No.	Name of formation	Description	Amount (Rs)
01	Director Dev. NTC, Islamabad	The work should be completed on 27.9.12 but was not completed till the last day of field audit, therefore, 10% penalty should be recovered	2,600,000
01	Dir. Dev. NTC, Karachi	The completion period was 90 days but contractor completed work with the delay of 381 days	272,788
02	Dir. Dev. NTC, Karachi	The completion period was 60 days but contractor completed work with the delay of 105 days	296,070
03	Dir. Dev. NTC, Karachi	The completion period was 90 days but contractor completed work with the delay of 61 days	64,244
04	Dir. Dev. NTC, Karachi	the amount was kept as retention money instead of deducting as Liquidated Damages	61,043
Total			3,294,145

The matter was reported in October 2013 and it was replied in December 2013 that LD charges will be deducted from the final payment as the amount has been retained to ascertain the facts about delay.

The reply is not acceptable as final bills have already been submitted to NTC, hence LD charges be recovered instead of retaining them No DAC meeting was convened by the PAO.

Audit recommends that liquidated charges should be recovered with interest and deposited into Government account besides fixing the responsibility.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos.204,360,361,369,370)

3.34 Unauthorized employment on contract basis - Rs 1.666 million

Para 2.33 of NTC Service Regulations 2008 stipulates that non technical staff in Group I and II shall be appointed on contract basis only.

NTC appointed Technical Staff i.e. Telecom Technician and Junior Technician on contract basis and renewed their contracts annually. An amount of Rs 1.666 million was paid as pay and allowances to these contract employees during 2012-13. Detail is as under:

S.No	Name of unit	Description	Amount (Rs)
01	DEP NTC Faisalabad	01 Telephone Technician	234,300
02	Director NTC, Multan	04 Junior Technicians	973,632
03	Director NTC, Karachi	01 Junior Technician	232,632
04	DEP NTC Hyderabad	01 Junior Technician	225,928
Total			1,666,492

The matter was reported in October 2013 and it was replied in December 2013 that contract staff was appointed as per NTC authority laid in Delegation of Powers and their contract period was extended on yearly basis.

The reply is not acceptable as the contract appointment of technical staff was contrary to the NTC Service Regulations 2008. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated, responsibility fixed and disciplinary action initiated against the officers responsible for violation of NTC Service Regulations.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos. 212, 217, 299, 306)

3.35 Loss of expected revenue due to delay in endorsement of NTC management board of DWP approved projects- Rs 26.568 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.

NTC issued 9 work orders to contractors for different projects. These projects were either delayed by the contractors or by the management of NTC due to non procurement of Multi services Access Gateway, Digital Radio Sets equipment and other store items. In most of the cases, the PC I of the projects were approved by the DWP Committee but its endorsement from the NTC management Board was conveyed late even after 5 to 6 months. NTC sustained a loss of forecasted revenue of Rs 26.568 million against these projects. Detail is as under:

S. No	Name of formation	Description	Amount (Rs)
1	Dir Dev. NTC, Karachi	Non procurement of MSAG, SDH and other store and non completion of OSP work	7,554,300
2	Dir Dev. NTC, Karachi	Non procurement of DRS and other store	1,023,906
3	Dir Dev. NTC, Karachi	Non procurement of DRS and other store	722,985
4	Dir Dev. NTC, Lahore	Delayed completion of work by 14 months	710,730
5	Dir Dev. NTC, Lahore	Non procurement of MSAG and non completion of OFC work	1,679,184
6	Dir Dev. NTC, Lahore	Non procurement of MSAG and DRS equipment	1,110,360
7	Dir Dev. NTC, Lahore	Non procurement of MSAG and SDH equipment	2,891,746
8	Dir Dev. NTC,	Non procurement of AMG and	

	Lahore	SDH equipment	7,256,493
9	Dir Dev. NTC, Islamabad	Non procurement of MSAG and non completion of OSP work	3,618,678
Total			26,568,382

The matter was reported in October 2013 and it was replied in December 2013 that the board endorsements were conveyed late due to non holding of management board meetings. The work orders were issued late to contractors due to non availability of stores required to complete the project. Commercialization of the project was awaited due to non-provision of MSAG SDH from NTC Headquarters Islamabad. However, the network is now being commercialized through alternate media.

The reply shows weak planning of projects therefore is not acceptable. NTC failed to provide the requisite equipment / store in time which caused delay in timely completion of ADP projects. No DAC meeting was convened by the PAO.

Audit recommended that matter be investigated and responsibility fixed for non completion of projects in time.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos.202, 362, 365, 368, 394, 493, 495, 497, 498)

3.36 **Unlawful appointment / engagement of 30 employees in excess of the sanctioned strength - Rs 12.953 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 special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

NTC incurred an expenditure of Rs 12.953 million for the staff engaged over and above the sanctioned strength during 2012-13. Detail is as under:

S.No	Name of formation	No of employees above sanctioned strength	Amount (Rs)
01	Director, NTC, Multan	08	2,927,448
02	Director, NTC, Islamabad	04	2,238,816
03	Director Dev.NTC, Karachi	04	2,243,304
04	NTC Headquarter, Islamabad	14	5,543,472
Total		30	12,953,040

The matter was reported in October 2013 and it was replied in December 2013 that case regarding subject matter has been taken with GM Central Lahore in case No.1. It was replied against Sl. No.2 that the manpower employed is in accordance with revised sanctioned strength. It was replied against Sl. No.3 and 4 that staff was engaged against the staff on long leave, leave vacancies and deputation in other offices.

The reply is misleading therefore not acceptable. The staff was engaged over and above the sanctioned strength as stated above. No DAC meeting was convened by the PAO.

Audit recommends that the illegally appointed / engaged employees should be removed forthwith, payment of pay and allowances stopped and illegal practice discontinued. Disciplinary actions should be initiated against the officers responsible for unlawful employment and illegal expenditure every year.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos. 216, 277, 363, 434)

3.37 Unauthorized creation of posts and unlawful conversion of posts of closed development projects to non development and recurrent budget

According to the 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 regulations, NTC Management Board unauthorizedly created 33 posts in different cadres on 27.07.2010. Chairman NTC illegally approved conversion of the 16 posts of Project Dense Wavelength Division Multiplexing into regular sanctioned strength of the Corporation on 22.11.2011 without the approval of Finance Division and Planning Division. Detail is as under:

S.No	Description	No of posts
1	Assistant Manager (Network), Data Network Technician, Junior Data Network Technician, Engineering Supervisor, Technician, UDC and Naib Qasid	33
2	ADE, ES and Driver	16

The matter was reported in October 2013 and it was replied in December 2013 against Sl. No.1 above that posts in different cadres were created with the approval of NTC Management Board besides, approval of PC I. Moreover, as per Chapter V, Clause 41 (5) of S.R.O, creation of posts in different cadres is mandate of NTC. Regarding Sl. No.2 it was replied that Chairman NTC approved conversion of 16 posts for the maintenance of the project into regular cadre as NTC Management Board had already approved the same in PC I.

The reply is incorrect and misleading therefore not acceptable. The NTC Management Board does not have the authority to create any post without approval of Finance Division. The posts so created have no existence therefore the employees should be removed. Chairman NTC is neither competent nor authorized to convert the posts of development project to regular strength of the establishment of the NTC without the approval of the Planning Division regarding the requirement of conversion of certain posts of a development project and without the approval of Finance Division allowing the conversion of the posts into regular strength funded by regular budget of NTC. The posts of the project stand abolished on completion of the project therefore these employees should be removed forthwith under intimation to audit. No DAC meeting was convened by the PAO.

Audit recommends that the posts unauthorizedly created and converted from completed development project to non development side do not exist therefore the employees on these posts should be removed, disciplinary proceeding should be initiated for unlawful and unauthorized actions as stated above and amounts paid as salaries to these employees should be recovered from the persons responsible under intimation to audit.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos.282, 432)

3.38 Unauthorized creation of posts and promotions of officers in BPS 20

According to Establishment Division O.M.No 6/4/96-R.3, dated 10.05.1997, 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.

In violation of the above instructions, NTC Management created certain posts of BPS 20 which were not approved from the Finance Division and officers were appointed / promoted in BPS 20 as Director General/General Manager without approval of Chief Executive/Prime Minister. Moreover, the appointments were not notified by Establishment Division.

The matter was reported in October 2013 and it was replied in December 2013 that PAC had constituted IDC to give recommendations regarding creation / appointment / promotion against MG-II (BPS 20) posts in NTC. IDC has taken up the matter with Establishment Division, Finance Division and Ministry of Law. The final decision in this regard is awaited.

The reply is incorrect and misleading therefore not acceptable. The promotion was made without approval of the competent authority i.e. Prime Minister. However, final decision of the relevant forums be provided to proceed further in the matter. No DAC meeting was convened by the PAO.

No progress was intimated till the finalization of this Report.

(Based on PDP No.443)

3.39 Unauthorized appointments, absorption and promotions in NTC

According to clause 2.5 (i) of NTC Service Regulations 2008 in order to make recruitment, vacancies shall be advertised in press. Section-A, part III of ESTACODE, further stipulates that initial appointment of the post shall be made on recommendation of the DSC after advertising the vacancies in newspaper. Para (a) of notification issued by Election Commission of Pakistan vide No. F.8 (12)/2012-Cord dated 08th February, 2013, states that all kinds of recruitments in any ministry, divisions, department or institution of Federal Government or any department or institution of any provincial and local governments is banned forthwith except recruitments by the federal or provincial public service commission.

In violation of the above regulations and instructions, NTC management made appointments in various cadres without advertisement of vacancies in the press, recommendations of the DSC, obtaining NOC during ban period and on false information and forged documentation. Detail is as under:

S.No	Description	Irregularities
01	Irregular appointments in higher cadres	Appointment on 9 posts of NQ, Chowkidar and cleaners of group I were made in group II as Junior Technician during ban period and without advertisement.
02	Irregular appointment as Assistant Divisional Engineers (ADEs)	Eleven trainee engineers were appointed on regular basis w.e.f 20.04.2000 without advertisement, test, interview and the recommendations of the DSC.
03	Irregular appointment and promotion of an Officer	An officer was appointed as Database Administrator B 18 on regular basis without obtaining NOC from his parent department. The officer was further promoted as Director without recommendation of DSC and having a blemished career as he was issued several warnings.
04	Irregular appointment on forged documents and misuse of vehicle	Upon taking Golden Handshake voluntary Separation Scheme from Ravi Rayon on 09.12.1997, the officer joined NTC. Later on the Managing Director cancelled the earlier action for which he was not competent. All the documents of approvals, recommendations and cancellation did not seemed to be genuine. The officer was also granted current charge pay of Rs 420,000 for which he was not entitled and was also regularly allowed station leave on weekend along with allocated vehicle No.GV-048.
05	Irregular absorption on false information	The services of an officer of State Enterprises Display Center (SEDC) were placed in NTC on deputation basis. Later on the officer was permanently absorbed being regular employee of SEDC whereas he was a contract employee. The word contract was replaced by using white fluid.

06	Non verification of Educational documents	BSc degree bearing No,01280 of a candidate was got verified from University of Sindh, Jamshoro which was declared as bogus and charge sheet was issued. Later on the candidate himself approached the University, and this time University certified the degree and NTC withdrew the charge sheet. Audit is of the opinion that NTC should have approached the HEC for verification of the degree as is being done by other government offices.
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The matter was reported in October 2013 and it was replied in December 2013 regarding (S.No.1) that appointments were made prior to ban period. (S.No.2), the Trainee Engineers were recruited in 1999 after advertising the posts duly mentioning that officers may be considered for the regular appointment subject to availability of vacancy in BPS 17 and performance during the training period. Accordingly on successful completion of training period their services were regularized as ADE, BPS 17. (S.No.3), the officer did not apply for the post through proper channel and hence no NOC from the last employer was required. Furthermore, there were no restrictions in the rules to stop promotion on basis of having been issued warning letters. The officer earned 71.25 score in Confidential Reports, hence, was promoted. (S.No.4), the services of the officer were transferred on deputation to NTC on the recommendations of Ministry of Communication. The record received from his parent department did not contain any such information where in the officer had availed voluntary separation scheme. However, as per direction of MoIT, the matter has already been referred to FIA for verification. As per vehicle entitlement policy, all MG II officers are entitled for official vehicle along with driver, for official as well as domestic use. (S.No.5) the services of the officer were absorbed as per NTC regulations. (S.No.6), HEC had issued instruction that only the individual concerned can get his/her degree verified from the commission by filling an online form.

The reply was not acceptable as the appointments were made during ban period and without advertisement. Trainee Engineers were appointed without fulfilling the prerequisites of appointments on regular basis. The promotion of the officer was not recommended by DSC and resignation from previous department was not on record. The HEC instructions did not bind verification of degree only by the individual. No DAC meeting was convened by the PAO.

Audit recommends that HR issues should be investigated at appropriate level for fact finding and holding of inquiries at Ministry level. Furthermore, the final outcome of FIA be obtained and sent to audit for examination.

No progress was intimated till finalization of this Report.

(Based on PDP Nos. 279, 397, 398, 410 to 412, 438, 439)

3.40 Unauthorized upgradation of posts and promotions

According to clauses 2.5 (ii) and 2.26 of Service Rules of NTC 2008, NTC may create posts with the approval of Finance Division. The employees who are not promoted for want of vacancy or do not have a channel of promotion and have remained the same pay group in which they had joined/promoted for 7 years (In NTC 10 years) would be promoted to next higher pay group, provided that qualify other criteria for promotion.

NTC management board redesignated and upgraded various posts w.e.f 1 December, 2007. At that time NTC Service Rule did not exist hence approval of Finance Division was required. On introduction of new pay package 2008, NTC placed the below mentioned posts one step higher group instead of in the existing group. Further on 18.10.2012 NTC management Board upgraded the same posts again without taking into consideration the 7 year mandatory service in a grade before up gradation in violation of clause 2.26 of NTC Service Regulation. Detail is as under:

S. No	Existing		Upon re-designation/up-gradation	
	Name of Post		Name of Post	
1	17 posts of Steno typists (B-12)		Personal Assistant (BPS-15)	
2	05 posts of Steno Grapher (B-15)		Personal Secretary (BPS-16)	
Upon introduction of pay package 2008			Actual by NTC	
3	PA (BPS-15)	Group-V	PA (BPS-15)	Group-VI
4	PS (BPS-16)	Group-VI	PS (BPS-16)	Group-VII
5	PSO (BPS-17)	Group-VII	PSO (BPS-17)	Group-VIII
6	Personal Assistant	Group-V	Stenographer	Group-V
7	Private Secretary	Group-VI	Personal Assistant	Group-VI
8	Private Secretary	Group-VII	Personal Secretary	Group-VII
9	PSO	Group-VIII	PSO	Group-IX
10	NTC H/Q, IBA	Promotion of 4 Engineering Supervisors		
11	Director NTC, LHR	98 Posts		
11	Director NTC, IBA	105 Posts		
12	Director NTC, PE	67 Posts		
13	NTC H/Q, IBA	35 Posts		

It was further observed that 4 Engineering Supervisors who were not eligible for promotion were promoted as Assistant Divisional Engineers. Moreover 305 posts of employees belonging to group II and III were placed in one step higher group without observing length of service criteria.

The matter was reported in October 2013 and it was replied in December 2013 that 16 posts of Steno typists were abolished and 17 posts of Steno typists (BPS-12) as Personal Assistant (BPS-15) and five posts of Stenographer (BPS-15) as Personal Secretary (BPS-16) were upgraded in 2008. Further, in accordance with Finance Division OM F.No.19(55)Legal-II/2010-1055 dated 23rd December, 2011 the requisite posts were upgraded after approval by NTC Management Board. As per Schedule II, 5% posts of ADE are required to be filled through promotion of departmental employees holding BE/B.Sc degrees. Accordingly the employees who met the eligibility criteria were promoted against 5% quota. All the actions regarding up gradation and promotions were in accordance with NTC Service Regulations.

The reply is not acceptable as the posts S.No. 1-9 were redesignated and upgraded without approval of the Finance Division, and prior to introduction of New Pay Package 2008. The officials were placed in one step higher pay groups and again upgraded without observing length of service criteria. The Assistant Engineer and Assistant Manager Network were eligible for promotion as Assistant Divisional Engineer against 5% quota instead of Engineer Supervisors. No DAC meeting was convened by the PAO.

Audit recommended that matter regarding up gradation and promotions be investigated at appropriate level for facts finding and fixation of responsibility.

No progress was intimated till finalization of this Report.

(Based on PDP Nos. 228, 287, 375, 392, 396, 434)

CHAPTER-4

SPECIAL COMMUNICATIONS ORGANIZATION

4. SPECIAL COMMUNICATIONS ORGANIZATION (SCO)

4.1 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 and 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 and Audit (FBA&A) procedure as approved by the Project Management Board. Its accounts are maintained on the accounting system of erstwhile TandT department. CMA (FWO) is responsible for pre audit and reconciliation of the expenditure of SCO with AGPR.

4.2 Comments on Budget and Accounts

SCO 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

SCO, Ministry of Information Technology

Following table shows the compliance status of PAC directives.

S. No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
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

4.4 Non recovery of outstanding dues from defaulters - Rs 1. 883 million

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.

Accounts Office Telephone Revenue of SCO failed to recover the outstanding dues of Rs 1.883 million on account of working, closed, casual connections and government subscribers during 2012-13. Detail is as under:

S.No	Name of Unit	Description	Amount (Rs)
01	AOTR, Mirpur	Working Connections	24,057
02	-do-	Closed Connections	40,777
03	-do-	DXX circuit	157,485
04	-do-	Defaulters and court cases	105,818
05	AOTR Gilgit	Casual, working and closed connections	270,515
06	AOTR, Muzaffarabad	Government subscribers and closed connections	1,284,406
Total			1,883,058

The matter was reported in October 2013 and it was replied in January 2014 that efforts are underway to recover the amounts at the earliest. However, in case of Sl.No.5 above an amount of Rs 112,004 had been recovered.

SCO management admitted the non-recovery of dues from defaulters. Moreover no effort made by SCO for recovery was on record nor was the recovered amount shown to audit. Every year the issue of non recovery from defaulters crops up mainly because SCO has no SOP for

recovery from defaulters. This shows weak internal controls. No DAC meeting was convened by the PAO.

Audit recommends that responsibility for non-recovery of outstanding dues on account of working, closed, casual connections and government subscribers should be fixed, recovery of the amounts from the concerned should be ensured and a proper system of recovery from defaulters should be developed so that internal controls are strengthened.

No progress was intimated till the finalization of the Report.

(Based on PDPNos.270 to 273,331,389)

4.5 Unauthorized payment on account of mobile phone services - Rs 1.347 million

As per Cabinet Division letter No.F.5/2004-GC, dated 11 April, 2005 and No.2/26/2005-RA-IV dated 11 May, 2009, the provision of mobile / cellular telephone facility at public expense is restricted to all officers in BS 20 and below working in the Ministries / Divisions on regular basis in the interest of operational efficiency. For other than Ministries / Divisions this facility is not allowed to any grade.

In violation of the above, in two formations of SCO 62-composite signal battalion and SCO Headquarter Rawalpindi, incurred an unauthorized expenditure of Rs 1.347 million on payment of mobile phone services to the non-entitled officers during financial year 2012-13 despite pointing out in previous Audit Reports.

The matter was reported in October 2013 and it was replied in January 2014 by 62 CSB that being under command unit the payment was made strictly in accordance with the instructions of the SCO Headquarter and no irregularity was committed. SCO Headquarter replied that the case had already been forwarded to MoIT and the decision on the issue is awaited.

SCO management admitted increasing unauthorized expenditure hence, not acceptable. The payment was made in contravention of instructions of the Cabinet Division therefore stands unauthorized. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility fixed on the officer held responsible for such unauthorized payment year by year despite pointing out by Audit. Disciplinary action should also be initiated and recovery of the unauthorized amount be made from the officers responsible for this illegal payment under intimation to audit.

No progress was intimated till the finalization of the Report.

(Based on PDPNos.232,250)

**4.6 Unlawful expenditure of pay and allowances to the staff of CMA (FWO)
- Rs 15.814 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 of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year. Rule 11 *ibid* further stipulates that each head of 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.

SCO Headquarter made a payment of Rs 15.814 million on account of pay and allowances and house requisition to the staff of CMA (FWO) during financial year 2012-13 despite the fact that CMA (FWO) employees were not on the sanction strength of SCO.

The matter was reported in October 2013 and it was replied that CMA (FWO) was raised as a disbursing office to cater for the needs of SCO and was according to the approved mechanism. Therefore the payment of pay and allowances were made to the CMA (FWO) from the SCO budget grant.

The SCO management admitted making the unauthorized payment to CMA (FWO) staff hence reply is not acceptable. The payment to the staff of MAG from the budget of SCO granted by MoIT was unlawful as the staff of MAG was not on the strength of SCO. This issue had already been discussed in the DAC meeting held on 24 December, 2009. The DAC directed the management to refer the case to Finance Division for regularization of expenditure but no such action was taken by the SCO management. No further DAC meeting was convened by the PAO.

Audit recommends that matter be investigated, responsibility and disciplinary action be taken against those responsible for this unlawful payment every year despite pointing out by the Audit and recommendation of the DAC. The previous DAC directives should also be complied with under report to Audit.

No progress was intimated till the finalization of the Report.

(Based on PDP No.249)

4.7 Unjustified procurement of Generators and AC's resulted in Blockage of capital - Rs 14.016 million

According to Rule 145 of GFR Vol I, care should be taken not to purchase stores much in advance of actual requirements.

In violation of the above, generators and air conditioners were purchased by the SCO Headquarter during financial year 2012-13 against project No.V/2008-09/"GSM Expansion for NA". The stores were procured

in the closing month of the financial year 2012-13 and were lying unused in the stock till date. This resulted in blockade of capital and utilization of development budget irregularly. Detail is as under:

S. No	File No.	Nam of firm	Description	Qty	Amount (Rs)
01	1842/Dev/GSand C/2012-13/OS	M/s Xenon ventures	AC 1.5 Ton	20	999,980
02	-do-	--do--	--do--	03	149,997
03	-do-	Panama Communication	Generator 15-kva	12	11,027,760
04	-do-	--do--	--do--	02	1,837,960
TOTAL					14,015,697

The matter was reported in October 2013 and it was replied in January 2014 that the procurement was made in June 2013 because the funds were released in the 4th quarter of the year. The store was issued on 27.7.2013. As regards balance of 21 AC's on 26.6.2012, the same were not related to Development store.

The reply is misleading therefore not acceptable. The procurement was made in the month of June 2013 only to exhaust the funds at the close of the financial year 2012-13. Further the issuance of store letter of 27.7.2013 was only intimation to the concerned units to collect the store and nothing else. As regards to procurement and issuance of generators, no response was given by the SCO management. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated and responsibility fixed at PAO level for unjustified purchase of AC's and Generators and utilization of funds only to avoid surrendering.

No progress was intimated till the finalization of the Report.

(Based on PDP.No.251)

4.8 Unauthorized and non-transparent procurement of multiplexer - Rs 2.200 million

According to Rule 29 and 30 of PPRA Rules 2004, procuring agencies shall form an appropriate evaluation criterion. Such evaluation criterion shall form an integral part of the bidding documents. All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. Rule 36 (b) (v) provides that in single stage two envelopes method, technical evaluation shall be made in accordance with the technical specifications laid down in the bidding document.

SCO invited technical bids for the purchase of multiplexer, in which two firms M/s IT and M/s Telesays were awarded contract for Rs 2.200 million being technically qualified and lowest bidders. Scrutiny of technical bids however showed that companies M/s Star Communication, M/s Makkays and M/s AYE Zee were technically compliant to terms and conditions of GSR but were declared as unqualified.

The matter was reported in October 2013 and it was replied in January 2014 that a fact finding inquiry has been conducted in the matter. The equipment was provided in PC 1 and 30 links were to be procured out of which 15 were procured. Four firms were declared technically qualified including M/s IT and M/s Telsys and awarded the contract to them being financially lowest.

The reply is not acceptable as the firms M/s Star Communications, M/s Makkays and M/s AYE Zee were technically compliant but declared unqualified leading to doubts about the transparency in technical evaluation and award of the work. Moreover, the fact finding inquiry was conducted by the officers / officials who executed the work, therefore, not acceptable. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at PAO level, responsibility fixed and disciplinary action be taken against the persons who evaluated the bid in a non-transparent manner.

No progress was intimated till the finalization of the Report.

(Based on PDPNo.253)

4.9 Unauthorized and unlawful procurement of desktop, laptop, printer, paper shredder and cables - Rs 46.348 million

According to Rule 4 of PPRA Rules 2004, procuring agencies, while engaging in 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. Rule 36(b) (viii) and (ix) further states that after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically nonresponsive shall be returned unopened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted.

SCO Headquarter purchased Desktop, Laptop, Laser Printer and Paper Shredder from M/s Computer Point who was declared "not qualified" by the tender evaluation committee, and procurements of Rs 2.799 million were made. In another case bids were invited for procurement of AE (OFC) 6 pairs and UG (OFC) 12 pairs for GSM Expansion Project. The Technical Evaluation Committee rejected M/s Celmore and declared it not qualified but the procurement of cables was made from that firm. This resulted in unauthorized and unlawful expenditure of Rs 46.348 million during financial year 2012-13. Further, 376969 meter procured cables of 6 and 12 pair specification was lying unused in the store which resulted in blockade of capital.

The matter was reported in October 2013 and it was replied in January 2014 that M/S Computer Point was very much "Recommended" by the technical scrutiny committee for lap top, desk top, laser printer, shredder and multicolor copier. As regard to cable a demand of 90 Km of OFC 6 pairs was received and accordingly tendering process was completed but the rates were considered very high. The technical committee had not recommended M/s Celmore for the above mentioned items. The tender was cancelled and retendered on the increased demand by the concerned branch. In the second tender the committee recommended M/S Celmore and procurement was made accordingly.

The reply is misleading therefore not acceptable. The technical committee did not recommended M/s Computer Point and remarked as "NO" against all the requirements of GSR (technical proposal). In case of M/s Celmore no documentary evidence of retendering was provided. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at PAO level for fixation of responsibility against the officers / officials responsible for the unauthorized and unlawful procurements.

No progress was intimated till the finalization of the Report.

(Based on PDP Nos. 255, 257)

4.10 Unauthorized write off loss of store by SCO Project Management Board- Rs 1.979 million

According to Para 8 of Annex I of System of Financial Control and Budgeting notified by the Finance Division vide No.F.3(2)Exp.3/2006 dated 13th September, 2006, a head of organization may write off irrecoverable value of stores or public money upto Rs 100,000. Over the limit prescribed for the head of the organization and upto Rs. 5,000,000 the concerned Ministry may write off the value of stores.

SCO Project Management Board (PMB) gave write off sanction to regularize the loss of T&T stores valuing Rs 1.979 million which was above the prescribed limit.

The matter was reported in October 2013 and it was replied in January 2014 that the case was referred to PMB for grant of approval to regularize the loss in the light of chapter 1 para 2 and 19c of Financial Budgeting Auditing and Accounting Procedure. The FBA&A Procedure was approved document which had already been provided to MoIT. If there was any contradiction with other Government rules that should have been pointed out earlier as SCO follow FBA&A Procedure for all financial regulations.

The reply is not acceptable as MoIT is the administrative ministry of SCO, hence, the case should have been referred to the ministry for write off. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at the PAO level for violating the Finance Division Rules and case referred to MoIT for write off sanction.

No progress was intimated till the finalization of the Report.

(Based on PDPNo.260)

4.11 Non deposit of Tax into Government treasury by CMA (FWO) - Rs 6.191 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.

CMA (FWO) deducted income tax amounting to Rs 6.191million @ 6% from the payments of service providers of SCO but the proof of income

tax deposited in Government Treasury was not on record / available with the SCO. Detail is as under:

S.No	Name of firm	Sanction No and date	Amount of bill (Rs)	Amount of tax (Rs)
01	M/s Transworld	1304/SCO/OPS/ Transworld dated 03.01.2013	5,237,685	314,261
		14.03.2013	1,756,650	105,399
		28.03.2013	880,117	52,807
		16.04.2013	880,117	52,807
		23.05.2013	881,014	52,861
		11.06.2013	881,910	52,915
02	M/s PAKSAT	1304/SCO/OPS/ PAKSAT dated 20.07.2012	21,828,564	1,309,714
		17.09.2012	21,909,582	1,314,575
		10.01.2013	24,279,005	1,456,740
		18.04.2013	24,652,641	1,479,158
Total			103,187,285	6,191,237

The matter was reported in October 2013 and it was replied in January 2014 that case had been taken up with CMA (FWO) and reply will be submitted shortly.

In the reply SCO management admitted the irregularity therefore not acceptable. The amount of income tax should be deposited into Government treasury well in time. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed, income tax deposited into Government treasury and initiated the disciplinary action against the person held responsible.

No progress was intimated till the finalization of the Report.

(Based on PDPNo.263)

4.12 Unauthorized expenditure over and above the budget allocation under operating head - Rs 481.381 million

According to Rule 88 of GFR Vol I, the authority administering a grant is ultimately responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within the grant.

SCO was allocated an amount of Rs. 1,818.056 million against grant 1675 by Finance Division under operating expenses for 2012-13. The Director General SCO allocated the grant under different heads for its utilization. All Pakistan Compilation showed that operating expenses under the following heads were beyond the allocation and the excess expenditure was not covered under the grant.

S.No	Head of account	Allocation (Rs)	Expenditure (Rs)	Difference (Rs)
01	Minor head (a) Estt charges (Pay and Allowances)	857,375,496	1,310,463,879	453,088,383
02	Minor head (e-3) ASC stores (Ration)	153,123,143	181,415,984	28,292,841
TOTAL				481,381,224

The matter was reported in October 2013 and it was replied in January 2014 that excess expenditure was in employee's related expenses i.e. pay and rations. In the budget of SCO the increases of Adhoc Relief Allowance, Conveyance Allowance and TA / DA was not made available. Further, rates of ration were also enhanced from January 2011 and the arrears were paid. The case for additional grant had been taken up in May 2013 but additional grant has not been allocated so far.

The excess expenditure under operating head had been admitted in the reply therefore is not acceptable and the plea taken was not based on facts. The increase in the pay and allowances was allowed in July and

August 2012, therefore, the demand should have been calculated and revised estimates submitted to Finance Division well in time for consideration. The enhancement in rates of ration was from January 2011 (2010-11) and not from 2011-12 or 2012-13. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at the PAO level for fact finding and fixation of responsibility for poor budget estimation and excess expenditure over the budget allotment and ascertaining from where this excess expenditure was met by SCO. Disciplinary action should also be initiated against the officers held responsible under intimation to audit.

No progress was intimated till the finalization of the Report.

(Based on PDPNo.267)

4.13 Unauthorized deduction of withholding tax by the operators - Rs 14.319 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.

SCO had issued various demand notices / invoices to telecom operators who had deducted 6% withholding tax amounting to Rs 14.319 million. Further the deposit of withholding tax to the National Exchequer was not on record.

The matter was reported in October 2013 and it was replied in January 2014 that the case had been taken up with the concerned authorities and it was informed that SCO does not fall within the meaning of Federal Government. Therefore SCO was not exempted from the tax deduction.

The reply is misleading therefore not acceptable. SCO was a purely government department and the income of SCO was the income of Federal Government therefore, no tax was to be deducted from that amount. No DAC meeting was convened by the PAO.

Audit recommends that SCO should take up the case with the operators through Federal Board of Revenue as well as Finance Division for non-deduction of tax in future besides recovery of the amount already deducted from the income of the Federal Government by the operators.

No progress was intimated till finalization of this Report.

(Based on PDPNo.268)

4.14 **Non recovery of SCO revenue from domestic and international clients - Rs 21.355 million**

According to Rule 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 duly credited in the Public Account and no amount due to Government should be left outstanding without sufficient reason.

SCO management failed to recover the outstanding dues on account of media charges and international traffic from operators. An amount of Rs 21.355 million was outstanding from the clients till June 2013 as detailed below:

S.No	Name of client	Description	Period	Amount (Rs)
1	M/s Worldcall	Media charges	Up to June 2013	5,150,000
2	M/s Worldcall	International Traffic	Feb to Nov 2012	15,066,000
3	DT (UK)	Intl. Traffic	May to June 2013	399,000
4	FDI	-- do --	April to May 2013	740,051
TOTAL				21,355,051

The matter was reported in October 2013 and it was replied in

January 2014 that efforts are underway to recover the outstanding amount. The recovery particulars will be submitted shortly.

SCO admitted to the non-recovery of dues therefore reply is not acceptable. The dues against operators for the year 2012-13 should be recovered before closure of the financial year. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed, disciplinary action be initiated against those who did not recover SCO dues in time, besides recovery of the amount and deposit into Government account within 2 months.

No progress was intimated till finalization of the Report.

(Based on PDPNo.269)

4.15 Unauthorized appointment / extension of contracts resulting into irregular expenditure - Rs 1.691 million

According to criteria mentioned in ESTACODE vide S.No. 135 guidelines for contract appointments issued by Establishment Division 8/10/2000-CP.1 dated 21.03.2000 the extension of contract appointments beyond two years shall be subject to the approval of the Establishment Secretary and Secretary of the Administrative Division. According to part III of ESTACODE, the initial appointment of the posts shall be made on the recommendation of Departmental Selection Committee after advertising the vacancies.

SCO extended the contracts without open advertisement and incurred an amount of Rs 1.691 million in pay and allowances of these employees during 2012-13. Moreover, the Table of Organization and Establishment (TO&E) showed the sanctioned strength for posts of Captains (army employees) while civilians were appointed against these posts.

The matter was reported in October 2013 and it was replied in January 2014 that DG SCO is empowered for making appointment on contract basis against PC 1. As regard to appointment of civilian against the post of Captain the same had been appointed after obtaining NOC from GHQ MS branch.

SCO admitted violation of rules by making contract appointments were made without advertisement and without sanctioned posts. No NOC was obtained from the GHQ MS branch for the appointment of army personnel. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated and responsibility fixed for violation of rules and disciplinary action initiated against the persons held responsible.

No progress was intimated till finalization of the Report.

(Based on PDPNo.352)

4.16 Unlawful expenditure on pay and allowances and contingencies - Rs 157.597 million

According to Article 170 of Constitution of Pakistan. Auditor General of Pakistan is authority to give approval of Forms, Principles and Methods of Accounts. The accounts of the Federation and of the Provinces shall be kept in such form and in accordance with such principles and methods as the Auditor General may, with the approval of the President, prescribe.

The accounting system / procedure of SCO called the FBA&A procedure has not been approved / vetted by the Auditor General of Pakistan (AGP). The whole expenditure of SCO of Rs 157.597 million during 2012-13 therefore stands unlawful as the accounting procedure was not approved from the competent authority. Detail is as under:

S.No	Name of Formation	Amount (Rs)
01	AOTR Gilgit	10,695,836
02	63-Composite Signal Battalion, Gilgit	137,787,728
03	65-Composite Signal Battalion, Skardu	9,113,782
Total		157,597,346

The matter was reported in October 2013 and it was replied in January 2014 that the FBA&A procedure had been approved by Government of Pakistan Finance Division (Military) letter No.174/SCO dated 24 September, 1977 and project Board letter No.1208/102-B/Sigs-2 dated 24 September, 1977 in modification of the existing telegraph and telephone system of accounting to suit the peculiar requirements of the SCO. The representative of Controller Military Accounts (FWO) was also detailed in said board, which is a representative of Auditor General of Pakistan.

The reply is not acceptable as the powers regarding approval of forms, methods and accounting procedure lies with the AGP, therefore, the same should be got approved from the relevant forum. No DAC meeting was convened by the PAO.

Audit recommends that FBA&A procedure be got approved from AGP and responsibility should be fixed for unlawful expenditure.

No progress was intimated till the finalization of the Report.

(Based on PDP Nos. 332, 349, 354)

4.17 Non maintenance of plant value ledger / fixed assets register

According to Ministry of Defense Rawalpindi letter No.F-1262/210/sigs-3/1971 dated 16.07.1976 and Para 6-D of FBA&A procedure, the accounting system of SCO shall be based on telegraph and telephone department system of accounting. As per Rule-376 of P and T account code plant value ledger/ fixed assets register is required to be maintained on Form AGPT-664 to ascertain the value of assets.

In violation of the above 2 units of SCO 63 and 65 composite signal battalions did not maintain plant value ledger / register of fixed assets. Due to non-maintenance of plant value ledger / fixed assets register financial position of the organization could not be ascertained. Non maintenance of fixed asset register was violation of rules and depicts disinterest of management and loose internal controls.

The matter was reported in October 2013 and it was replied in January 2014 that subject plant value ledger / fixed assets register were maintained sector wise by concerned AOTR. Monthly targets are assigned to this unit by AOTR and after end of each month the assigned / achieved targets report was forwarded directly to AOTR Gilgit by this unit to maintain the subject ledger / register.

The reply is misleading and incorrect therefore not acceptable. Due to non-maintenance of plant value / fixed asset register the value of the assets of the organization could not be ascertained. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed for violation of rules and non-maintenance of fixed assets register.

No progress was intimated till the finalization of the Report.

(Based on PDP Nos. 350,357)

4.18 Unauthorized expenditure on pay and allowances of engineers without posts - Rs 1.836 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 special orders of the president or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

In violation of the above, 5 Engineers were working on contract basis in 65 composite signal battalion, Skardu without having sanctioned posts. The Table of Organization and Establishment for the year 2012-13 did not show any such posts therefore expenditure of Rs 1.836 million on account of pay and allowances stands unauthorized. This state of affairs reflects undue favour, management override, loose internal controls and poor application of rules.

The matter was reported in October 2013 and it was replied in January 2014 that under the provision of Para 10 a of Annex-A to FBA&A procedures, DG SCO is hereby authorized for creation of work charge post of Civil Engineer against the project being run in SCO setup on contract. Hence, the engineers were employed in this unit by the order of DG SCO.

The reply is misleading therefore not acceptable. Appointment on regular or contract basis without availability of post and open advertisements is not permissible under the rules. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed, disciplinary action initiated besides recovery of amount from the officers held responsible for unauthorized payment of pay and allowances.

No progress was intimated till the finalization of the Report.

(Based on PDPNo. 356)

4.19 Unlawful appointment / engagement of employees and illegal expenditure of Rs 14.891 million per year on over and above the sanctioned strength

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 of the president or by an authority to which power has been duly delegated

in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

In SCO formation 61 Composite Signal Battalion and Accounts Officer Telephone Revenue, Muzaffarabad the staff were unlawfully appointed / engaged over and above the sanctioned strength in violation of the above rules. An amount of Rs 13.154 million was paid on account of pay and allowances of these unlawfully appointed / engaged employees during 2012-13. This practice has been repeated year by year despite audit observation costing million of rupees to the Government on unlawfully activities.

The matter was reported in November 2013 and it was replied in January 2014 that surplus strength was shown in monthly strength as per rank structure. Overall deficiency of staff during 2012-13 was 2573 and average deficiency per month was 214.

In the reply SCO has admitted unlawful appointment / engagement of employees as regular strength and payment of million of rupees illegally at the cost of public exchequer annually. No DAC meeting was convened by the PAO.

Audit recommends that the illegally appointed / engaged employees should be removed, payment of pay and allowances stopped and illegal practice discontinued. Disciplinary action should be initiated against the officers responsible for unlawful employment and illegal expenditure every year and ignoring repeated audit observations.

No progress was intimated till the finalization of the Report.

(Based on PDPNo.385, 390)

4.20 Irregular payment of arrears on account of Income Tax - Rs 1.225 million

According to section 49 (1) of Income Tax Ordinance 2001, the income of the Federal Government shall be exempt from tax under this Ordinance.

In violation of the above SCO paid an amount of Rs 1.225 million on account of arrears of Income Tax to the Electric Department Muzaffarabad in electricity bills during 2012-13 despite pointing out by Audit in previous reports. Detail is as under:

S.No.	Sector	Period	Amount (Rs)
01	Rawalakot Sector	April 2007 to October 2009	750.810
02	Hajira Sector	April 2007 to October 2009	182.707
03	Thorar Sector	April 2007 to October 2009	90.950
04	Paniola exchange/datoot	April 2007 to October 2009	200,080
TOTAL			1,224,547

The matter was reported in November 2013 and it was replied in January 2014 that income tax was imposed in the light of commissioner income tax camp office Mirpur letter No.Tax/CIT-84/1032-33/2010 dated 28.4.2010 in which it was clarified that SCO does not fall within the meaning of Federal Government, Provincial Government or a Local Government, therefore, not exempted from deduction of tax under sub section 49 (4). Upon this clarification Sector Headquarter, Muzaffarabad took up the case with SCO HQ vide letter No.952/Q/Elec dated 6th May, 2010 and information to under command units.

The reply is not acceptable as SCO is purely Federal Government Department established under the directive of Prime Minister of Pakistan for provision of services in AJK and Northern Areas. Further, budget is allocated to SCO by MoIT and its revenue deposited in the Federal Consolidate Fund (FCF), therefore, it is not liable to pay Income Tax on Electricity Bills. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed for irregular payment as stated above and case should be taken up with higher forum for refund of arrears of income tax and deposited it in government account.

No progress was intimated till the finalization of the Report.

(Based on PDPNo.386)

4.21 Irregular transfer of revenue – Rs 98.928 million

According to HQ SCO letter No.1230/SCO/Ops/Rev/Tfr dated 8 May, 2012, and as per decision of the Auditor General of Pakistan the SCO will adopt banking mode for remittance / transfer of revenue to Federal Consolidated Fund delinking current system of Pakistan Post Office. Accordingly, SCO revenue account should be maintained with NBP at Rawalpindi and all AOTRs shall continue maintaining their accounts at respective banks / GPOs for revenue collection. The 100% realized revenue amount should be transferred to main SCO account at Rawalpindi instead of transferring to GPOs. Following actions were also recommended:

- a. Existing agreements with all banks be revised before 30 June, 2012 for transfer of revenue to Headquarter SCO account Rawalpindi instead of GPOs w.e.f 1 July, 2012 onward.
- b. Like banks, contract agreements be signed with all GPOs for transfer of amount into AOTR designated account at respective location instead of PPO. The amount so collected will be further transferred to Headquarter SCO Revenue account at Rawalpindi.

AOTR Muzaffarabad did not revise the agreement with the banks and GPOs for transferring the revenue collected to the SCO main account to Rawalpindi despite orders and lapse of 20 months in violation of the orders and decision of the Auditor General. AOTR Muzaffarabad has also not discontinued previous agreements with banks and GPOs made in 2008. An amount of Rs 98.928 million was collected on behalf of AOTR

Muzaffarabad by 5 GPOs at Muzaffarabad region or as per agreements of 2008 and the collected amount was unauthorizedly transferred to Director of Accounts (PPO), Lahore instead of National Bank of Pakistan, Rawalpindi. As a result the amount was not transferred to Federal Consolidated Fund till date.

The matter was reported in November 2013 and it was replied in January 2014 that a meeting was held with heads of all banks and GPOs for transferring 100% realized revenue to SCO revenue account in NBP, Muzaffarad instead of GPOs. The head of all banks agreed for delinking but GPO refused implementation / agreement without instructions of PMG, Islamabad.

The reply was not tenable as the orders of delinking of transfer of revenue to PPO were issued in May 2012 but not complied and revenue is deposited to Pakistan Post Office Department keeping the amount outside the Federal Consolidated Fund. No DAC meeting was convened by the PAO.

Audit recommends that the amount of Rs 98.928 million should be deposited into the Federal Consolidated Fund within one month, implementation of orders of delinking PPOs ensured in all regions and disciplinary action initiated against the AOTR Muzaffarabad for withholding the amount outside the public exchequer and violating the orders.

No progress was intimated till the finalization of the Report.

(Based on PDP No. 387)

4.22 Irregular expenditure on building works - Rs 2.466 million

According to Para 81 (f) (2) of SCO FBA and A Procedure 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. Rule 9 of PPRs 2004 further stipulates that 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. The requirements would be advertised in advance on the PPRA web site as well as in print media if procurement is above Rs 100,000.

In 2 units of SCO 61-composite signal battalion, Muzaffarabad and 63-composite signal battalion, Gilgit an expenditure of Rs 2.466 million was incurred on repair and maintenance of exchange buildings without advertisement during 2012-13. The measurement books were not maintained as required in the rules. Further, the works were executed by way of splitting to avoid tendering and without sanctioned of the competent authority in violation of the above. Due to splitting of the expenditure SCO was deprived from competitive rates. No DAC was convened by the PAO.

The matter was reported in October and November 2013 and it was replied in January 2014 that measurement books have been prepared. The works were executed as per FBA&A procedure. Since the building works were carried out in different areas so tendering was not required being less than Rs 1 million.

The reply is incorrect therefore not acceptable. The expenditure was incurred for procurement of building material in piecemeal just to avoid tendering. No measurement book was provided during Audit and during verification in December 2013 by the SCO. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at PAO level and responsibility fixed, disciplinary action initiated against the officers held responsible.

No progress was intimated till the finalization of the Report.

(Based on PDPNos 353, 383)

CHAPTER-5

TELEPHONE INDUSTRIES OF PAKISTAN (PVT) LTD

5. TELEPHONE INDUSTRIES OF PAKISTAN (PVT) LTD

5.1 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 and Telecom Division (MoIT and T). At present MoIT has submitted revitalization 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.

5.2 Comments on Budget and Accounts

TIP 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.

5.3 Status of Compliance with PAC Directives

TIP, Ministry of Information Technology

Following table shows the compliance status of PAC directives.

S. No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
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

5.4 **Illegal use of Electricity and Sui Gas resulted in loss to TIP - Rs 18.332 million**

According to Rule 23 of GFR Vol I, 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 bulk meters of electricity and Sui Gas were installed at Telephone Industries of Pakistan (TIP) since its inception. The electricity and Sui Gas are provided from that bulk meters to the residents of the colony attached with the TIP. This resulted in a loss of Rs 18.332 million on account of payment made to WAPDA band SNGPL by the TIP and bills received from the residents of colony during financial year 2012-13 despite pointing out in previous Audit Reports. The Colony Board of TIP booked these losses as line losses in the accounts illegally.

The matter was reported in September 2013 and it was replied in January 2014 that the line losses of electricity had been reduced from 30% to 8.8% and Sui Gas from 53% to 40%. However, continuous efforts were being made to further reduce the losses.

The reply is misleading and incorrect therefore not acceptable. The booking of illegal use of electricity and sui gas booked as line losses in the accounts are illegal. This issue had continuously been pointed out by the Audit in the previous Audit Reports but no efforts were on record for permanent solution of these losses. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed, disciplinary action initiated and amount of loss recovered from the officers held responsible for this illegal use of electricity and sui gas. Further the matter should be taken up with the WAPDA and SNGPL authorities for installation of individual meters at each residence to avoid these recurring losses.

No progress was intimated till the finalization of this Report.

(Based on PDP No. 457)

5.5 Non recovery of outstanding dues on account of electricity and sui gas charges and colony board share - Rs 53.485 million

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

The TIP colony at Haripur is being used by 3 organizations i.e Telephone Industries of Pakistan, National Radio Telecommunication Corporation and Telecom Staff College. The electricity and sui gas are being used by the residents of these organizations. The TIP management failed to recover the outstanding dues on account of electricity, sui gas and colony board share of Rs 53.485 million during 2012-13 as detailed below:

S.No	Description	Amount (Rs)
01	Electricity and Sui Gas bills of NRTC	7,052,984
	Electricity and Sui Gas bills of TSC	1,964,106
02	Colony Board Share NRTC	2,711,555
	Colony Board Share TSC	20,493,602
03	Electric Bills of Housing Scheme	21,262,346
Total		53,484,593

The matter was reported in September 2013 and it was replied in January 2014 that the case for recovery had already been taken up with the

concerned quarters and a verification committee had also been constituted in case of Telecom Staff College.

The reply is incorrect and therefore not tenable. No concrete efforts were on record for realization of outstanding dues from the organizations stated above. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at the PAO level and responsibility fixed against the persons held responsible. The amount should be recovered with interest and deposited into Government account under intimation to audit.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos. 458, 459, 464)

5.6 Non recovery of rent space from M/s ISI - Rs 6.222 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 M/s ISI took possession of 35,745 sq. ft. of land owned by TIP from January 2011 for security purposes. The agency did not pay any rent amount to TIP since its occupation. An amount of Rs 6.222 million (35,745x19.34x9) for the period October 2012 to June 2013 was not paid by the agency which was a loss to TIP. The amount of recovery due for the period before October 2012 has already been pointed out by Audit in the previous Report.

The matter was reported in September 2013 and it was replied in January 2014 that TIP management had been pursuing vigorously with M/s

ISI and MoIT for the payment of rent. No DAC meeting was convened by the PAO.

Audit recommends that the matter should be pursued at the top level MoIT, for payment of rent by M/s ISI.

No progress was intimated till the finalization of this Report.

(Based on PDP No.465)

5.7 Extravagant expenditure incurred in sub offices of TIP - Rs 52.189 million

According to Rule 10 of GFR Vol I every public officer incurring or authorizing expenditure from public funds should exercise the same vigilance in respect of expenditure incurred from public moneys as person of ordinary prudence would exercise in respect of expenditure of his own money.

TIP had established three sub offices at Islamabad, Karachi and Lahore to run the business of the Company. TIP business was mainly dependent on PTCL and after the privatization of PTCL from 2006 no business was received by TIP from its major clients. Despite losing business, TIP has 113 employees and 18 vehicles in its use. An expenditure of Rs 52.189 million was incurred on pay and allowances, POL, utility bills and other expenditures during 2012-13 which was a burden on the National Exchequer. Detail is as under:

S.No	Sub office	Salary expenditure	Other expenditure	Total (Rs)
01	Islamabad	16,176,718	5,403,609	21,580,327
02	Karachi	2,297,282	7,750,700	10,047,980
03	Lahore	16,525,512	4,035,558	20,561,070
Total				52,189,377

The matter was reported in September 2013 and it was replied in January 2014 that the case for revitalization is with ECC. On the decision of the competent authority, the action will be taken accordingly.

The reply is not acceptable because the issue had continuously been pointed out by audit since 2010 but the management had not taken any concrete steps to close its non-operational offices. No DAC meeting was convened by the PAO.

Audit recommends that management should pursue the case with MoIT for early decision regarding the revitalization of TIP by GoP as well as devise a mechanism for the curtailment of expenditures on these non-functional offices.

No progress was intimated till the finalization of this Report.

(Based on PDP No.460)

5.8 Unauthorized payment of allowances – Rs 31.955 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.

TIP paid an amount of Rs 31.995 million to the employees of TIP and Colony Board on account of special incentive allowance, special milk allowance and factory pay during 2012-13 which was not approved by the Government. Therefore, payment of un-approved allowances stands unauthorized. Detail is as under:

S.No	Name of allowance	TIP (Rs)	Colony Board (Rs)
01	Special Incentive Allowance	24,315,806	4,758,264
02	Special Milk Allowance	399,815	47,753
03	Factory Pay	2,265,696	167,866
Total		26,981,317	4,973,883
Grand Total		31,955,200	

The matter was reported in September 2013 and it was replied in January 2014 that the status of the company has not been changed. All the laws and rules applicable previously are still applicable. These allowances were approved in the past when the company was self financed and no Government funding was involved. The payment of these allowances cannot be stopped until and unless status of the employment terms of the employees are changed.

The reply is misleading therefore not acceptable. The budget for payment of salaries was being provided by the GoP through a grant. The budget details against which Government grant was received revealed that these allowances were not part of establishment charges. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed, disciplinary action initiated against officers held responsible for payment of un-approved allowances besides recovery of the amount and deposit into Government account.

No progress was intimated till the finalization of this Report.

(Based on PDP No. 462)

5.9 Unauthorized transfer of vehicle to MoIT

According to rule 10 (iv) (3) of General Financial Rules, public moneys should not be utilized for the benefit of a particular person or

section of the community unless the expenditure is in the pursuance of a recognized policy or custom.

TIP transferred vehicle No.VU-603 (Honda City 1300cc Model 2012) MoIT in May 2012. The vehicle was continuously under the use of MoIT and was not returned by the Ministry till completion of field audit. The expenditure on POL and repair of the vehicles was also born by TIP office Islamabad.

The matter was reported in September 2013 and it was replied in January 2014 by the management that vehicle Honda City 1300cc Model 2012 registration No.VU-603 was under the use of Secretary MoIT. Secretary IT being the Chairman of the TIP Board was utilizing the vehicle.

TIP admitted to transferring its vehicle to MoIT which was not covered under the rules. No DAC meeting was convened by the PAO.

Audit recommends that the vehicle transferred to MoIT should be taken back and amount incurred on POL and repair should be recovered from the officers responsible for transferring the vehicle in violation of rules.

No progress was intimated till the finalization of this Report.

(Based on PDP No.463)

5.10 Unjustified payment of Adhoc allowances to permanent and temporary workers employed on per hour rate - Rs 38.012 million

According to Finance Division (Regulation Wing) O.M dated 21.07.2009 and 05.07.2010 grant of Adhoc Relief Allowances, are admissible to civil employees of the Federal Government as well as civilians paid from defense estimates including contingent paid staff and contract employees employed against civil posts in Basic Pay Scales on standard terms and conditions of contract appointment.

TIP paid adhoc relief allowance to its workers employed on per hour rate, permanent workers and contract workers over and above the admissible rates. This resulted in unjustified and unauthorized payment of Rs 38.012 million, during financial year 2012-13.

The matter was reported in September 2013 and it was replied in January 2014 that TIP governed under the companies ordinance 1984. The hourly rates are fixed by the management as and when pay scales are revised by the GoP. Therefore, the allowances were paid to them as are admissible under the factory rules. The Adhoc relief allowance allowed by the GoP to all the staff B 1 to B 20 was implemented in TIP for all the staff and not for the employees only.

The reply is incorrect therefore not acceptable. The workers employed on per hour rate, permanent and contract workers were not entitled for the Adhoc Relief Allowance over and above the admissible rate. Therefore total payment made in this regard stands unjustified. No DAC meeting was convened by the PAO.

Audit recommends that the amount paid so far should be recovered from the officers held responsible such unjustified payment besides fixing of responsibility and initiating a disciplinary action.

No progress was intimated till the finalization of this Report.

(Based on PDP No. 475)

5.11 Unauthorized payment of medical reimbursement and medicines instead of medical allowance - Rs 13.082 million

According to Finance division (Regulation Wing) O.M No.F.1 (1) Imp / 2010-622 dates 05.07.2010, medical allowance @ 15 % of the basic pay to the employees in B16 and above and Rs 1,000 p.m to the employees in B 01 to 15 has been allowed to the civil employees.

TIP incurred an expenditure of Rs 30.365 million on account of reimbursement of medical charges and purchase of medicines during the year 2012-13. Had TIP paid medical allowance as per approved rates of the GoP then it would have incurred an amount of Rs 18.087 million in medical allowance. Thus the management had incurred an excess expenditure of Rs 13.082 million on medical charges during the year 2012-13. Detail is as under:

S. No	Description	No of employees	Amount (Rs)
01	15% Medical Allowance	84	4,919,940
02	Fixed medical allowance @ Rs 1000	800	9,600,000
03	15% Medical Allowance	55	2,763,180
	Fixed medical allowance @ Rs 1000	67	804,000
Total			18,087,120

The matter was reported in September 2013 and it was replied in January 2014 that all Government rules and policies are not applicable on TIP employees until and unless these were approved and adopted by TIP Board of Directors. The medical treatment facility was being provided as per terms and conditions of appointment and agreement with Collective Bargaining Agents (CBA) however, any change in terms and conditions of employ may create repercussions and disturbance in the organization.

The reply is incorrect therefore not acceptable. Presently TIP is funded by the MoIT for payment of pay and allowance therefore instruction of the GoP is applicable on TIP. The payment in violation of the GoP instructions stands unauthorized. No DAC meeting was convened by the PAO.

Audit recommends that the matter should be investigated at PAO level and taken up with the Finance Division for decision. Responsibility should also be fixed against the officers held responsible for the

unauthorized payment as stated above.

No progress was intimated till the finalization of this Report.

(Based on PDP No. 479)

5.12 Unauthorized payment of interest on Central Provident Fund to retiring employees

According to Rule 12 of CPF Rules of TIP provides that interest shall be paid to the credit of the account of a subscriber at such rates, as may be determined for each year according to the method of calculation of profit from time to time by the Board of Directors.

TIP paid an amount of Rs 4.560 million on account of interest of Central Provident Fund (CPF) to the retiring employees during 2012-13 from the grant made by MoIT for pay and allowances instead of from the fund. There was no bank account for the fund where these amounts were placed but appearing only in the papers.

The matter was reported in September 2013 and it was replied in January 2014 that the rate of interest announced by the GoP for GPF in March 2001 was also applicable to CPF and the same was applied.

The reply is irrelevant therefore not acceptable. The payment of interest on CPF to retiring employees should be made from the fund instead of the budget allocated by MoIT for pay and allowances. Further there must be physical existence of an account having a sufficient balance but there was no CPF account since 1996. No DAC meeting was convened by the PAO.

Audit recommends that the matter should be investigated at the PAO level for fact finding and fixation of responsibility for such wrong doings.

No progress was intimated till the finalization of this Report.

(Based on PDP No.469)

5.13 Wasteful expenditure on Enterprise Resource Planning - Rs 6.089 million

According to instructions issued by the Planning and Development Division, PC-I / detailed project should be drawn for the development programs. Furthermore, as per Para 14(4) of Ministry of Finance O.M No.F.3 (2) Exp.III /2006 dated 13.09.2006, the autonomous organizations whether commercial or non-commercial having Board of Director would be competent to sanction the development schemes with 100% self-financing.

TIP signed contract agreements with various consultants for implementation of ERP during 2011-12 and the work was awarded in 2012-13. The agreements were made without preparation of detailed estimate, programme for software of ERP and hardware items. An expenditure of Rs 6.089 million was incurred during 2012-13 out of Rs 6.256 million without preparing any feasibility study and carrying out need assessment.

The matter was reported in September 2013 and it was replied in January 2014 by the management that new ERP will enhance the efficiency of the company and the staff to prepare and approve the accounts from the Board and also reduce the number of staff involved in the process. It will result in timely and quick management decisions, effective business planning and organization efficiencies. The expenditure was incurred from the budget provisions of 2011-12 and 2012-13. The payment of online support was made as the same was not included in the main contract of TMR Consultant.

The reply is irrelevant therefore not acceptable. The expenditure was incurred without any approved budget from the Board and GoP. Furthermore, there was no need of ERP in the present scenario as the company was non- operational and not generating any business. No detailed estimate / PC-I was approved by the Board of Directors as required under the rules. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed and disciplinary action be initiated against the persons responsible for incurrence of expenditure without budget and approval of detailed estimate or project by the competent forum.

No progress was intimated till the finalization of this Report.

(Based on PDP No.470)

5.14 Unlawful expenditure without foreign exchange budget - Rs 11.513 million

According to Para 13 (ix) of Finance Division O.M No.F.3(2)Exp.iii/2006 dated 13.09.2006, foreign exchange budget shall be prepared in accordance with the instructions issued by Finance Division from time to time. Finance Division had issued instructions on the subject vide No.F.1 (i) EF.B-IV/2011 dated 01.02.2011 for preparation of foreign exchange budgets under current and development expenditures.

TIP did not prepare any foreign exchange budget for the year 2012-13. However it incurred an expenditure of Rs 11.513 million on foreign purchases without any authority.

The matter was reported in September 2013 and it was replied in January 2014 that TIP uses its own funds to procure required foreign exchange component on prevailing exchange rate through NBP. Therefore, there was no need of GoP grant or allocation of Foreign Exchange by GoP.

The reply is not accepted because foreign exchange budget and allocations were required to be got approved from Finance Division in all cases be it from Government funding or own resources. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed against the

persons responsible for incurrence of expenditure on foreign purchases without foreign exchange allocation as stated above.

No progress was intimated till the finalization of this Report.

(Based on PDP No.474)

5.15 Non blacklisting of the contractor by giving undue favour to contractor and unauthorized payment - Rs 5.402 million

According to Rule 10 (i) (iv) 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. Public moneys should not be utilized for the benefit of a particular person or section of the community.

TIP management placed two purchase orders dated 01.03.2012 and 13.08.2012 with Malik Traders Haripur for supply of 28 and 31 components valuing Rs 5.402 million. The delivery period was fixed 10 weeks and 08 weeks for the orders respectively. The supplier failed to accomplish the task within the stipulated time and his supplies were rejected not being according to specifications. TIP however gave the contractor extension in delivery period instead of blacklisting him.

The matter was reported in September 2013 and it was replied in January 2014 that the supplier had already been warned, if the supply will be rejected in future the firm will be black listed. The supplier improved himself and now timely supply the material.

TIP accepted giving undue favour to the contractor hence reply is not acceptable. The payment was made without receipt of materials and no penalty was imposed which indicates that undue favour was being extended to the contractor. No DAC meeting was convened by the PAO.

Audit recommends that responsibility should be fixed for making

payment without receipt of materials besides recovery of penalty with interest and blacklisting of the firm.

No progress was intimated till the finalization of this Report.

(Based on PDP No.477)

5.16 Non recovery of dues from clients - Rs 4.614 million

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

TIP did not recover an amount of Rs 4.614 million from various clients on account of provision of various services even after the closure of the financial year 2012-13. Detail is as under:

S.No	Name	Account No.	Amount (Rs)
01	NTC	1-24237	1,740,995
02		1-24236-5304	1,431,030
03	PTCL	1-24236-5301	30,000
04	AWC	1-24236-5302	1,075,333
05	POD	1-24236-5303	336,858
Total			4,614,216

The matter was reported in September 2013 and it was replied in January 2014 that efforts are being made to recover the outstanding amounts.

TIP accepted the non-recovery of outstanding dues hence reply is not acceptable. The record did not show any meaningful efforts for recovery of outstanding amounts. No DAC meeting was convened by the PAO.

Audit recommends that matter be investigated and responsibility

fixed on officers responsible for not recovering the outstanding dues from clients. The amount due should be recovered with interest from the defaulters

No progress was intimated till the finalization of this Report.

(Based on PDP No.473)

5.17 Unlawful promotions and up gradation of posts and payment of arrears - Rs 1.281 million

According to Establishment Division O.M No.11/1/81.R.5 dated 20.08.1981, recruitment rules should be framed for recruitment. O.M No.15/38/52-SE.II dated 29.01.1954; further states that necessary provision should be made in the recruitment rules for promotion of departmental cadres in a cadre. The promotion should be made on seniority cum fitness basis. O.M No.3/29/70-D.3 dated 07.01.1971 had also clarified that persons appointed on Adhoc basis should not be promoted to higher posts.

In violation of the above instruction, TIP management promoted 103 employees as detailed below:

S.No	Description	No. of Employees	Date of Promotion
01	Permanent employees (B-16 to B-17)	13	30.05.2013
02	Permanent employees (B-15 to B-16)	23	02.12.2012
03	Workers on per hour rate	67	01.07.2011

The promotions were made by upgrading the posts by Managing Director TIP for which he was not competent and had paid an amount of Rs 1.281 million on account of arrears for the year 2012-13.

The matter was reported in September 2013 and it was replied in January 2014 that TIP is working under the Company's Ordinance 1984 through its Board of Directors. Promotion in TIP was always made after fulfilling all the routine requirements. The employees/workers in BPS-1 to

BPS-16 were in queue for promotion since 31.05.2003 and approaching the authorities for their promotion. Promotion was given to provide equal opportunities to the employees. The promotions were made under an agreement between the CBA and management. As regards promotion of 13 Associate Engineers from BPS-16 to BPS-17, the same were made after the approval of competent authority against the approved posts of executives. The promotions of contractual staff were made under the agreement of 2002.

The reply is not acceptable because the promotion could be made against the clear vacant post as per rules. There was no provision in the rules regarding promotion of workers employed on per hour rate. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated for fixation of responsibility for violation of rules besides recovery of amount paid on account of arrears from the officer who is responsible for making such unlawful payment.

- . No progress was intimated till the finalization of this Report.

(Based on PDP No.468)

5.18 **Unauthorized appointments, promotions and redesignation of posts**

According to Establishment Division O.M No.F.8/36/2000-R.1 dated 20.01.2001, the cases for up gradation / re designation of posts in BPS-01 to 19 will be decided by the Finance Division in consultation with the Establishment Division. O.M No.8/130/91-R.1 dated 12.05.1992 further states that no up gradation be made without the concurrence of Finance Division and Establishment Division and approval of Prime Minister. **Open advertisement should also be made in press for appointments against the vacant posts and selection should be made after observing the selection criteria advertised.**

TIP did not follow the requisite criteria for appointment, promotion and re-designation of the posts. The officers / officials were appointed, promoted and the posts re designated without approval of the relevant forums. Detail is as under:

S. No	Description	Remarks
01	Appointment without advertisement and promotion without pre requisite qualification	A candidate who had applied for the post of Junior Chemist on 15.07.1984 was appointed as Assistant Manager in BPS-17 from 10.10.1984 without any advertisement in the press. Subsequently, he was promoted as Manager (B-19) and posted as Manager (P&A) from 22.05.2012 without having qualification of the subject post i.e MBA (HR)/MPA.
02	Upgradation without approval and promotion to an unsanctioned post	The post of Steno Typist was upgraded as Senior Stenographer B-16 on 31.07.2000. The official was promoted from B-16 to B-17 from 04.1.2004 and designated as Executive Personnel without any cadre post of executives available in TIP. All the orders of up gradation and promotions were irregular because they were not covered under TIP rules as well as GoP rules.
03	Unauthorized re designation and promotion	MD TIP re-designated the posts of Managers as Deputy General Manager and the persons holding the posts of managers were appointed against these posts on 22.05.2013. Associate Engineers of B-16 were promoted in B-17 from 31.05.2013 and designated as Executive B-17. The re-designation of posts was not approved by the Board and not

		cleared by PAO as well as Finance and Establishment Division.
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The matter was reported in September 2013 and it was replied in January 2014 that filling the vacancies from the internal candidates without advertisements were in favour of the organization. The promotion was made in the light of agreement made with CBA in 1983. He had acquired the qualification of Executive MBA, therefore, promoted in B-17 and posted as Executive Personal. The competent authority only re-designated the managers on 22.05.2013 and no new appointment or promotion was made. The associate engineers who were promoted on 31.05.2013 from BPS-16 to BPS-17 were posted against vacant posts of executives. The re-designation was approved by the Board and no approval of Finance and Establishment Division was required.

TIP admitted making unauthorized appointments, up gradations, re designations and promotions hence reply is not acceptable. The company was being funded by the GoP for establishment charges since many years hence approval was required from GoP. No DAC meeting was convened by the PAO.

Audit recommends that the matter should be investigated at the PAO level for facts finding and fixation of responsibility to those who were at faults for such gross violations as stated above.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos. 478, 485, 486)

5.19 Unauthorized grant of Ex Pakistan and Study Leave

According to MoIT letter No.1-1/2012-JS(Admn) dated 29.03.2012, all requests for Ex Pakistan Leave shall be forwarded to ministry for seeking approval of Secretary IT. Finance Division O.M No.F.10(3)-R.1/65 dated 20.09.1966, in case of other government servants Study Leave should be

granted in consultation with Financial Advisor concerned in exceptional cases. Furthermore, as per Study Leave Rules notified vide Finance Division SRO 923(1)/85 dated 08.09.1985 Ministries and Divisions of the Government of Pakistan may grant Study Leave to government servants under their administrative control. The Study Leave may not exceed two years in the entire service of a government servant.

Rule 9 of revised Leave Rules 1980 further states that EOL without pay may be granted on any ground upto a maximum period of 5 years at a time provided that the civil servant to whom such leave is granted has been in continuous service for a period of not less than 10 years.

In violation of the above rules and instructions, TIP management granted Ex Pakistan Leave, Study Leave and undue extensions in the leave to its employees without approval of the competent forum. Detail is as under:

S. No	Description	Irregularities
01	Irregular grant of Ex-Pakistan Leave	Ex-Pakistan Leave of AE Internal Audit from 27.8.2012 to 26.10.2012 was sanctioned by Manager Personnel and Administration and further extended upto 24.12.2012. The official remained absent from duty from 25.12.2012 to 28.01.2013 and applied an extension in leave from 28.01.2013 to 28.02.2014 as EOL for 397 days upto 28.2.2014 on which MoIT asked TIP regarding permission granted to proceed abroad with copies of Visa and other details but no clarification was sent by the TIP.
02	Malpractices in	Two Associate Engineers, one Deputy

	sanctioning of Ex-Pakistan Leave	Manager and one Manager was granted Ex Pakistan Leave on request to work outside Pakistan from 2007 to 2015. The leave was sanctioned by TIP without concurrence of the PAO. The instructions issued by MoIT regarding sanctioning of leave from the Secretary from March 2012 to onward were also not observed. Furthermore, the EOL granted to the Manager for 7 years at one time was not admissible under any rule.
03	Irregular grant of Ex-Pakistan Leave without pay for 7 years	
04	Irregular grant of study leave	One Associate Engineer was granted study leave and undue extensions were granted till 14.8.2013. Another manager was granted study leave on full pay from 7.2.2007 which was extended from time to time upto 21.11.2012. The manager joined TIP on 22.11.2012 and again was granted Ex Pakistan Leave from 1.3.2013 to 17.9.2014.

The matter was reported in September 2013 and it was replied in January 2014 regarding S.No.1 that Ex Pakistan Leave was granted to AE Internal Audit on his request to visit relatives in UAE. The case was discussed with SO Telecom by MD TIP and after satisfaction of MoIT the NOC was issued. For S.No.2 it was replied that the officials could avail 5 years EOL in one spell as they had sufficient service at their credit. There was no production work in the factory and granting of leave to officials and officers without pay by suspending house requisition facility and other facilities is in the interest of TIP. The leaves were sanctioned as per rules. In case of S.No.4, the circular did not mention that the extension in Ex Pakistan leave be submitted to PAO for approval as well as for NOC.

The reply is not acceptable because the case for extension in Ex Pakistan leave was required to be forwarded to the Ministry for seeking

approval of Secretary IT in the light of letter dated 29.3.2012. Furthermore, there was no provision in any rule to sanction leave of any kind to an employee who had categorically mentioned in his application for leave that he wanted employment in a foreign country. Moreover the extensions in study leave were granted without approval of competent authority. No DAC meeting was convened by the PAO.

Audit recommends that matter should be investigated at the PAO level for facts finding and fixation of responsibility for violation of rules as stated above. Disciplinary action should also be initiated against the concerned officers for unauthorized grant of leaves.

No progress was intimated till the finalization of this Report.

(Based on PDP Nos. 471, 480 to 482)

ANNEXURES

MFDAC PARAS

(Rs in million)

1. FREQUENCY ALLOCATION BOARD (FAB)			
S.No	PDP No	Subject	Amount
01	345-14	Dysfunctional of the post of Director Finance	0
Total			0

(Rs in million)

2. NATIONAL TELECOMMUNICATION CORPORATION (NTC)			
S.No	PDP No	Subject	Amount
01	207-14	Non completion of work and extending undue favour to M/s Telecom Foundation	21.000
02	210-14	Irregular expenditure on account of pay and allowances of staff without having record of sanctioned strength	51.989
03	211-14	Wasteful expenditure on microwave station with zero revenue	0.384
04	214-14	Irregular expenditure on purchase of fixed assets	0.182
05	215-14	Wasteful expenditure on microwave station with zero revenue	8.452
06	218-14	Irregular transfer of expenditure by NTC Headquarter	3.389
07	219-14	Irregular expenditure incurred for payment of uniform	1.059
08	220-14	Excess/unjustified payment on account of electricity bills	1.065
09	224-14	Minus balances against receivable (closed telephones connections)	0.207
10	226-14	Irregular expenditure on pool vehicles	1.108
11	227-14	Non deduction of income tax from the rent of office building	0.492
12	230-14	Loss due to install of WLL connections instead of NTC connections	4.892
13	237-14	Non recovery of outstanding dues against	0.211

		casual telephone connection	
14	244-14	Irregular expenditure on building	1.079
15	245-14	Irregular award of contracts of repair and maintenance of line and wire works	10.685
16	246-14	Irregular award of contracts of repair and maintenance of line and wire and generators	2.427
17	247-14	Irregular expenditure on account of payment of un approved allowances in pay scales 2012	6.316
18	275-13	Unauthorized use of vehicles by MoIT	0.263
19	278-14	Non recovery for provision critical spares parts of EPABX HiPath-3750 Lines	0.444
20	280-14	Irregular award of contract of building work	2.348
21	281-14	Loss due to giving WLL connections instead of NTC connections	9.907
22	284-14	Irregular expenditure on account of payment of unapproved allowances	15.499
23	285-14	Irregular expenditure on pool vehicles	0.547
24	292-14	Irregular expenditure on provision of digital and analogue set and expansion of Hi Path-4000 without calling tenders	2.482
25	294-14	Irregular expenditure on purchase of fixed assets	0.526
26	295-14	Irregular expenditure incurred for payment of uniform	0.951
27	300-14	Wasteful expenditure on microwave stations with zero revenue	3.027
28	301-14	Irregular expenditure incurred for payment of uniform	0.446
29	303-14	Non recovery of normal rent	0.055
30	304-14	Irregular expenditure incurred for payment of uniform	0.263
31	305-14	Non surrender of savings lying in DDO account	0.759
32	307-14	Irregular expenditure on account of conveyance allowance to officials availing the facility of Govt. motorcycle	0.242
33	308-14	Non surrender of savings lying in DDO	0.537

		account	
34	309-14	Irregular expenditure on payment of uniform	0.232
35	366-14	Irregular expenditure on purchase of fixed assets	0.210
36	367-14	Irregular transfer of expenditure by NTC Headquarter	16.235
37	376-14	Non transfer of title of land at Cherat	0
38	377-14	Non transfer of vested buildings in the name of NTC	0
39	379-14	Irregular expenditure on account of payment of un approved allowances in pay scales 2012	11.196
40	380-14	Irregular expenditure on pool vehicles	0.639
41	400-14	Irregular expenditure on POL of vehicles	1.861
42	403-14	Non handing over of vested quarters from PTCL	0
43	407-14	Loss due to award of work of bill distribution to TCS	1.403
44	413-14	Loss of billion of rupees due to non procurement of Multi Services Access Gateway	0
45	414-14	Loss due to late completion of project regarding expansion of broadband ports in all NTC Regions	177.600
46	416-14	Loss of revenue due to non completion of projects	0
47	417-14	Irregular expenditure on account of Janitorial Services in non transparent manner	1.006
48	418-14	Un authorized expenditure over and above the budget allotment in ADP 2012-13	58.100
49	419-14	Loss of revenue to NTC due to hosting of websites by others	7.090
50	423-14	Unauthorized advance payment to PTCL on account of purchase of EVO (3.1)	15.000

51	424-14	Less charging line rent of telephone numbers working as PRI and BRI	18.126
52	425-14	Irregular accounting system and procurement	129.201
53	427-14	Non remittance of savings to Federal Consolidated Fund	172.791
54	429-14	Non approval of the revised budget estimates for the year 2012-13 and budget estimates 13-14	0
55	431-14	Irregular expenditure on account of payment of un approved allowances	30.716
56	435-14	Holding of dual Government Jobs by an officer resulting irregular pay and allowances	0.516
57	436-14	Irregular expenditure on account of payment to legal advisor without post	0.480
58	437-14	Un justified expenditure of Rs 10.858 million on pay and allowances of IT Department	10.858
59	440-14	Irregular creation of liability in Benazir Employees Stock Option Scheme (BESOS)	100.277
60	441-14	Irregular expenditure on pool vehicles	5.621
61	442-14	Unnecessary burdening to NTC budget by MoIT	1.406
62	444-14	Non achievement of ADP 2012-13	0
63	445-14	Irregular payment for house building advance, motor car and motor cycle advance	3.623
64	447-14	Non deduction of group insurance from the officers of NTC	0.273
65	448-14	Irregular payment on account of temporary advances given to officers	1.986
66	449-14	Irregular deposit in DDO Account	21.852
67	450-14	Unauthorized opening of account and non remittance of savings to FCF	643.701
68	451-14	Non capitalization of assets purchased for Regions	21.353
69	452-14	Irregular payment on account of Transport Monetization Allowance	0.217

70	453-14	Irregular expenditure on procurement of Outside Plant Test Equipment for maintenance of NTC Regions	7.008
71	455-14	Irregular expenditure on procurement of EWSD Spares	1.055
72	456-14	Irregular transfer of savings from one year to other	119.405
73	490-14	Non transfer of LD charges to PAF authorities	0.517
74	492-14	Ill planning of project and anticipate loss of revenue	1.452
75	496-14	Non transfer of LD charges to PAF authorities	0.169
76	500-14	Irregular payment made for house building advance and motor cycle advance	0.719
77	501-14	Irregular expenditure on account of payment of un approved allowances	1.983
78	505-14	Non refund of saving to City Government	0.312
79	507-14	Non recover due to short deduction of Benevolent Fund	0.286
80	508-14	Irregular/unjustified payment of electricity charges of closed microwave stations	0.207
81	509-14	Irregular/unjustified payment made to Baqi and Company on account of water charges	1.085
82	511-14	Non recovery of rent claim of NTC quarters occupied by the PTCL	0.806
83	512-14	Short deduction/recovery on account of 5% normal rent	0.317
84	513-14	Irregular expenditure incurred for payment of uniform	0.647
85	514-14	Irregular payment on account of mobile charges	0.014
86	519-14	Irregular payment on account of bills distribution charges	0.167
Total			1,742.951

(Rs in million)

3. SPECIAL COMMUNICATIONS ORGANIZATION (SCO)			
S.No	PDP No	Subject	Amount
01	231-14	Irregular payment to Barber and Dhobi	1.616
02	256-14	Irregular procurement without tenders	0.781
03	258-14	Non recovery of LD charges from M/s ZTE	5.580
04	262-14	Loss due to exchange rate fluctuation	0.175
05	274-14	Non recovery of late payment charges from the bank due to delay transfer of revenue	0.099
06	302-14	Irregular payment to Barber and Dhobi	0.806
07	333-14	Irregular expenditure on delivery of telephone bills	0.127
08	334-14	Irregular retention of public money	276.860
09	335-14	Non recovery of interest on retention of public money	1.615
10	336-14	Irregular transfer of revenue	276.860
11	358-14	Irregular expenditure on purchase of stationery without advertisement	0.346
12	381-14	Irregular payment to Barber and Dhobi	0.899
13	382-14	Irregular expenditure on local purchase of various items	0.776
14	384-14	Irregular expenditure on repair and maintenance of generators	0.738
15	388-14	Difference in two sets of figures	1,558.027
Total			2,125.305

