



**AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ORGANIZATIONS
(TELECOMMUNICATION SECTOR)
AUDIT YEAR 2024-25**

AUDITOR-GENERAL OF PAKISTAN
SERVING THE NATION BY PROMOTING ACCOUNTABILITY,
TRANSPARENCY AND GOOD GOVERNANCE IN THE MANAGEMENT AND
USE OF PUBLIC RESOURCES

FOR THE CITIZENS OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, require the Auditor-General of Pakistan to conduct audit of accounts of receipts and expenditure from the Consolidated Fund and Public Accounts of the Federation and of each Province; and the accounts of any authority or body established by the Federation or a Province.

The report is based on audit of the accounts of Public Sector Organizations (Telecommunication Sector) for the FY 2023-24. Directorate General of Audit, Postal and Telecommunication Services (P&TS), Lahore conducted audit during Audit Year 2024-25 on a test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-I of the Audit Report. The audit observations listed in Annex-I shall be pursued with the Principal Accounting Officers at the DAC level and in all cases, where the Principal Accounting Officers do not initiate appropriate actions, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Impact Audit – a new concept, has been introduced and made part of this report at Chapter-10. It is an attempt to evaluate the impact of NTC Data Center and standard of services provided to the government organizations and to see that the project has achieved its intended objectives.

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 has been finalized in the light of discussions in the DAC meetings and written responses of the organizations.

There are certain audit paras, which were also reported in the previous Audit Report(s) and MfDAC Report(s). The recurrence of such irregularities is a matter of concern and needs to be addressed.

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 the Parliament.

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Plan
ARDs	Annual Regulatory Dues
ARFSF	Annual Radio Frequency Spectrum Fee
ALF	Annual License Fee
APC for USF	Access Promotion Contribution for Universal Service Fund
BoQs	Bill of Quantities
BTS	Base Transceiver Station
CEO	Chief Executive Officer
CMA	Controller Military Accounts
CTDISR	Critical Telecom Data and Infrastructure Security Regulations
DAC	Departmental Accounts Committee
DCaaS	Data Centre as a Service
DDWP	Departmental Development Working Party
DSL	Digital Subscriber Line
ESR	Employee Service Regulations
ETO	Electronic Transaction Ordinance
FAP	Foreign Aided Project
FCF	Federal Consolidated Fund
FFI	Fact Finding Inquiry
FLL	Fixed Local Loop
FTTH	Fiber to the Home
3G	Third Generation
4G	Fourth Generation
GB	Gilgit Baltistan
GRC	Grievance Redressal Committee
GPON	Gigabit Passive Optical Network
ICT	Information Communication Technology
ISF	Initial Spectrum Fee
IRR	Internal Rate of Return
KP	Khyber Pakhtunkhwa

LC	Letter of Credit
LD	Liquidated Damages
LDI	Long Distance International
LL	Local Loop
LPAF	Late Payment Additional Fee
LTE	Long Term Evolution
MES	Military Engineering Service
MMDS	Multipoint & Multi distribution System
MoITT	Ministry of Information Technology and Telecommunication
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
MP	Management Position
NGBDS	Next Generation Broadband Services
NGMS	Next Generation Mobile Service
NIDA	National Income Daily Account
NICs	National Incubation Center
NMS	Network Management System
NOC	No Objection Certificate
NPV	Net Present Value
NVCNS	Non-Voice Circuit Network Services
OEM	Original Equipment Manufacturer
OFC	Optical Fibre Cable
OLT	Optical Line Network
ONT	Optical Network Terminal
PAO	Principal Accounting Officer
PEMRA	Pakistan Electronic Media Regulatory Authority
PESR	PTA Employees Services Regulations
PFM	Public Finance Management
PKI	Public Key Infrastructure
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Project
PTRA	Pakistan Telecommunication Re-Organization Act
QoS	Quality of Service

R&D	Research and Development
RLF	Renewal License Fee
ROW	Right of Way
SECP	Security & Exchange Commission of Pakistan
SIM	Subscriber Identity Module
SLA	Service Level Agreement
SoPs	Standing Operating Procedure
SP	Service Provider
SSA	Service Subsidy Agreement
STB	Set Top Box
WLL	Wireless Local Loop

EXECUTIVE SUMMARY

The Audit Report presents results based on audit of the accounts for the financial year (FY) 2023-24 of the Public Sector Organizations (Telecommunication Sector) which include Pakistan Telecommunication Authority (PTA), Frequency Allocation Board (FAB), National Radio and Telecommunication Corporation (NRTC), Telephone Industries of Pakistan (TIP), Electronic Certification Accreditation Council (ECAC), Ignite, National Technology Fund & Company, National Telecommunication Corporation (NTC), Special Communications Organization (SCO), Telecom Foundation (TF) and Universal Service Fund & Company (USF Co).

The organizations, namely, PTA, FAB, NTC, Ignite and USF were established under Pakistan Telecommunication (Re-organization) Act, 1996 (amended in 2006). NRTC and TIP were registered as private limited companies, incorporated under the Companies Ordinance, 1984 (Now the Companies Act, 2017). However, NRTC acquired TIP with 100% shares including all assets and liabilities in 2021 with the approval of the Federal Government. Special Communications Organization (SCO) was established under the directives of the Prime Minister in 1976. Telecom Foundation (TF) came into existence in November, 1991 under the Charitable Endowments Act, 1890. The Electronic Certification Accreditation Council (ECAC) was created on 18th September, 2004 under Electronic Transactions (ETO) Ordinance, 2002.

PTA & FAB fall under the administrative control of the Cabinet Division. NRTC & TIP are administered by the Ministry of Defence Production (MoDP), whereas ECAC, NTC, SCO, TF, Ignite and USF are under the control of the Ministry of Information Technology & Telecommunication (MoITT).

Directorate General Audit, Postal & Telecommunication Services (P&TS), Lahore has the mandate to carry out audit of the above ten (10) entities of the Telecommunication Sector. Accordingly, Director General Audit, (P&TS), Lahore conducted the audit of these entities and finalized the

Report in the light of the management replies and discussions during DAC meetings. It is pertinent to mention that audit of Telecom Foundation was conducted as per approved Audit Plan but results of audit were not incorporated in the Audit Report on the directions of the Honorable Islamabad High Court.

NRTC, PTA, Ignite and USF provided their Financial Statements (FS) for the FY 2023-24 and accordingly comments were offered thereon. NTC, TIP and FAB did not furnish their FS for the FY 2023-24 till finalization of this report; therefore, audit could not comment on the budget and accounts of these entities. However, comments on the previous years' Financial Statements have been included in this Audit Report. Additionally, an impact audit of the Data Centre of NTC was also conducted for the FY 2023-24 which has been made a part of this report at Chapter-10.

Despite directions from the Honorable Supreme Court of Pakistan, PAC and Speaking Orders issued by the Auditor-General of Pakistan, PTCL refused to produce books of accounts for audit.

Directorate General Audit had an overall budget allocation of Rs 223.990 million for the FY 2023-24 and a human resource of 68 officers & allied staff. Total man-days available to this office were 17,000, out of which 3,512 man-days were utilized for the audit of entities relating to telecom sector.

Scope of Audit

This office is mandated to conduct audit of forty-six (46) formations working under the Cabinet Division, Ministry of Defence Production and Ministry of Information Technology and Telecommunication. These forty-six (46) formations incurred an expenditure of Rs 65,042.188 million and collected receipts of Rs 91,414.910 million during FY 2023-24.

Audit coverage relating to expenditure for the current Audit Year comprised Rs 28,628.611 million against twenty (20) formations of three (03)

PAOs/ Ministries for FY 2023-24. In terms of percentage, the audit coverage for expenditure was 44% of auditable expenditure.

Audit coverage relating to receipts for current audit year comprised Rs 15,658.983 million against twenty (20) formations of three (03) PAOs/Ministries for the FY 2023-24. In terms of percentage, the audit coverage for receipt was 17% of auditable receipts.

In addition to Compliance and Impact/Thematic Audits, Directorate General Audit (P&TS) will also conduct Performance Audit and Special Study of the telecom entities. Reports of these audits will be published separately.

Recoveries at the instance of audit

As a result of audit, recovery of Rs 103,700.876 million was pointed out in this report. Recovery effected from January to December, 2024 was Rs 4,534.445 million which included recovery pointed out during current as well as previous years.

Audit Methodology

The Permanent Files of Telecommunication Sector entities at Audit Office were updated following the acquisition of pertinent information from the entities, facilitating effective manpower planning and management before the audit execution.

The field audit activities encompassed a comprehensive range of tasks, including record reviews, field visits, physical inspections, and engagements with management. Notably, the DAGP has successfully implemented the Audit Management Information System (AMIS) which enables a thorough risk assessment, incorporating significant, inherent, and control risks into its framework.

Upon completion of the risk assessment, audit programs with specific procedures were formulated and integrated into AMIS. Subsequently, these

programs were assigned to audit teams for implementation during the field audit. This streamlined approach ensured a systematic and efficient audit process, enhancing the overall effectiveness of auditing activities.

Audit Impact

Audit impact includes the following:

- i. The Federal Cabinet approved a summary titled “Amendment in Section 3(7) of the PTR, 1996” to remove the ambiguity in the pay, allowances & perquisites of Members and Chairman of the Authority.
- ii. Audit had raised objection in the Audit Report 2023-24 over non-transfer of balances to Central Account-1 after adoption of TSA by PTA. Accordingly, the DAC directed PTA to refer the Para to the Finance Division through the Cabinet Division for clarification. The Finance Division, TSA Wing issued instructions on 14th January, 2025 and intimated the Cabinet Division that fourteen (14) bank accounts of PTA were brought under the sweeping arrangements.
- iii. NRTC formulated SOPs for construction works in the light of PWD/MES Schedule Rates.
- iv. NRTC and TIP management established the Procurement Fora for its procurement related issues.
- v. The Ignite Company started obtaining the concurrence of the Auditor-General of Pakistan for appointment of Commercial Auditors.

Comments on Internal Controls

- i. Independent Boards of Telephone Industries of Pakistan and Ignite Company were not constituted yet which reflect non-compliance to Corporate Governance Rules, 2013 and SOEs Act, 2023.
- ii. In most of the telecom entities, appointments, promotions and structure of pay & allowances were not in line with rules, regulations, instructions and SOPs.
- iii. Contract and procurement management in telecom entities was quite weak which undermined the principle of transparency and fairness.
- iv. After implementation of the PFM Act, 2019, PTA neither transferred

- its balances to Central Account-I after adoption of Treasury Single Account (TSA) nor shifted on sweeping arrangements as advised by the Finance Division.
- v. Internal Audit Wings exist in telecom entities without formulation of Internal Audit Manual and Procedures. Moreover, PTA, NTC and SCO did not generate internal audit reports for the purpose of management in violation of Corporate Governance Rules, 2013.
 - vi. Ignite and USF Funds did not carry out reconciliations of R&D and USF contributions with PTA which resulted in less recovery of prescribed contributions.
 - vii. Huge receipts were found outstanding due to weak receivable management in telecom entities.
 - viii. The pace of compliance of PAC directives in telecom entities was very slow which resulted in backlog.

Key Audit Findings of the Report

The Audit Report comprises fifty-eight (58) Audit Paras highlighting serious irregularities as under:

- i. In six (06) cases, HR related irregularities amounting to Rs 134.102 million were observed¹.
- ii. In fourteen (14) cases, violation of PPRA Rules amounting to Rs 3,739.640 million were noticed².
- iii. In two (02) cases, issues of value for money and service delivery amounting to Rs 5,087.490 million were revealed³.
- iv. In thirty-six (36) cases, outstanding receivables and other irregularities amounting to Rs 157,021.897 million were noticed⁴.

¹1.4.1 to 1.4.2, 5.4.1, 7.4.1 & 9.4.1 to 9.4.2

²3.4.1 to 3.4.3, 4.4.1, 4.4.2, 7.4.2 to 7.4.6 & 8.4.1 to 8.4.4

³3.5.1 & 9.5.1

⁴1.5.1 to 1.5.4, 1.5.5 to 1.5.6, 2.5.1 to 2.5.3, 3.6.1 to 3.6.4, 4.5.1, 5.5.1, 6.4.1 to 6.4.2, 7.5.1 to 7.5.6, 8.6.1 to 8.6.5 & 9.6.1 to 9.6.8

Recommendations

The telecommunication entities should:

- i. Update and strengthen their internal controls and ensure compliance with rules and regulations relating to HR related matters;
- ii. Ensure adherence to PPRs, 2004 during procurement of goods and services in order to achieve economy and transparency in public procurement;
- iii. Strengthen project planning and financial management for prudent decisions and effective project execution;
- iv. Further improve the receivable and contract management.

SECTORAL ANALYSIS

The telecommunication sector plays a pivotal role in shaping the global landscape, connecting people and businesses across borders through various technologies such as phones, internet, airwaves, cables, and wireless networks. The telecom sector has seen rapid growth in the recent years, driven by factors such as increasing affordability, rising disposable incomes, and the growing utilization of broadband services. The telecom industry has transitioned from a club of major national and international operators to a more diversified and competitive environment. The changed landscape of the sector is marked by de-regulations, innovations, and proliferation, driven by heightened competition. Governments worldwide encourage private operators to enhance competition, leading to increased connectivity and technological advancements. Telecommunication has become an integral part of daily life, serving personal, business, and governmental communication needs. This analysis delves into the telecommunication sector in Pakistan, examining its growth, economic contributions, regulatory framework, investment trends, and the key role of public sector entities.

The sector is made up of a cluster of telecom companies which create infrastructure that transmit data through text, voice, images or video anywhere in the world using internet, airwaves, cables and wires or wireless. Since early 2000, the industry has witnessed rapid de-regulation, innovation and proliferation. In global market place, governments are encouraging private operators to enter the market, enhance competition and fuel innovations. To deal with the growing significance of the digital economy and extensive use of information technology in human life, Pakistan has established different public sector entities such as Pakistan Telecommunication Authority (PTA), Frequency Allocation Board (FAB), National Telecommunication Corporation (NTC), Special Communication Organization (SCO), Universal Service Fund (USF) and Company, National Ignite Technology Fund & Company, National Radio Telecommunication Corporation (NRTC) and Telephone Industries of Pakistan (TIP). Further, the government amended the Pakistan Telecommunication (Re-

organization) Act (PTRA), 1996 in 2006 and established USF and R&D Funds to strengthen the telecom sector.

Public Sector Telecommunication in Pakistan mainly consists of regulators, service providers and development organizations. PTA and FAB act as regulators of telecommunication sector which are mandated to implement the policy directives issued by the Federal Government for issuance, renewal and cancellation of various types of licenses. These regulators are also entrusted with the functions to promote and protect the interests of users, rapid modernization of telecommunication systems, interference free spectrum and provide a wide range of high quality, efficient, cost-effective & competitive telecommunication services in Pakistan. Both PTA and FAB are functionally linked with MoITT but fall administratively under the Cabinet Division.

Electronic Certification Accreditation Council (ECAC) was established under the ETO, 2002. The basic purpose of the Council is to grant and renew accreditation certificates to Certification Service Providers, their cryptography services and security procedures. ECAC has finalized its important Root Certification Authority with Public Key Infrastructure (PKI) and Repository and has started working.

National Telecommunication Corporation (NTC) and Special Communications Organization (SCO) are two public sector organizations that come under the category of service providers in the telecommunication sector. NTC is responsible for telecommunication needs of the public sector organizations across the country, whereas SCO is responsible for providing telecom services in Gilgit-Baltistan and Azad Jammu and Kashmir. Besides, Universal Service Fund (USF) and Ignite are two public limited Companies which have added beauty to the functions of telecom sector. USF Company is responsible for infrastructure development of telecommunication services in the un-served and under-served areas of the country, whereas the Ignite Company sponsors Research and Development programs. For promoting research and development activities, money of the R & D Fund kept in the

MoITT is utilized through Ignite Company. In addition to sponsoring research and development, the Ignite Company has also maintained ten (10) National Incubation Centres (NICs) across the country, which facilitate business start-ups and entrepreneurships.

National Radio & Telecommunication Corporation (NRTC) and Telephone Industries of Pakistan (TIP) are manufacturing units working under the Ministry of Defence Production. The main function of NRTC is to manufacture telecom equipment used by Armed Forces. Over the years, it has expanded its business and has started manufacturing cellular phone jammers, number plates of vehicles for Provincial Governments, electronic systems and IT solutions for local and international clients/customers. TIP has also been acquired by NRTC as its wholly owned subsidiary which is planning to operationalize its manufacturing facilities.

Telecom Foundation (TF), the welfare organization of telecom sector, was established in November, 1991 with the aim of providing welfare to the employees of telecom industry and their families. Most of its revenue is generated from the rent of its buildings. The organization needs a plan to increase its revenue to carry out its welfare functions and requires strenuous efforts to get contracts from the industry.

Pakistan's commitment to keep pace with the regional and global powers in the digital world and to address the digital divide in the country is evident from the spending it makes thereon. The Federal Government spent Rs 65,042.188 million as current and development expenditure during FY 2023-24 on the growth and development of the telecom sector, which is 4% less than the expenditure incurred during FY 2022-23; whereas revenue / receipts of Rs 279,681.463 million depicted in the accounts was also 38% on lower side during the corresponding period as shown below:

(Rs in Million)

S. No	Name of entity	FY 2022-23		FY 2023-24		Percentage increase/decrease	
		Expenditure	Revenue/ Receipt	Expenditure	Revenue/ Receipt	Exp	Receipt
1	PTA	3,449.650	93,105.849	4,295.760	37,820.804	25	(59)
2	FAB	1,107.075	0	1,515.067	-	37	0
3	NRTC	20,304.545	21,955.723	22,372.67	22,841.46	10	(100)
4	TIP	3,210.089	2,514.612	2,102.514	92.918	(35)	(96)
5	ECAC	122.978	0	126.811	-	3	0
6	IGNITE	1,483.000	2,845.380	3,216.742	9,352.449	117	229
7	NTC	11,746.560	11,709.100	5,882.950	6,030.490	(50)	(48)
8	SCO	8,001.073	6,130.370	8,894.491	5,828.080	11	(5)
9	USF	18,555.023	8,398.248	16,635.183	9,448.711	(10)	13
Total		67,979.993	146,659.282	65,042.188	91,414.910	(4)	(38)

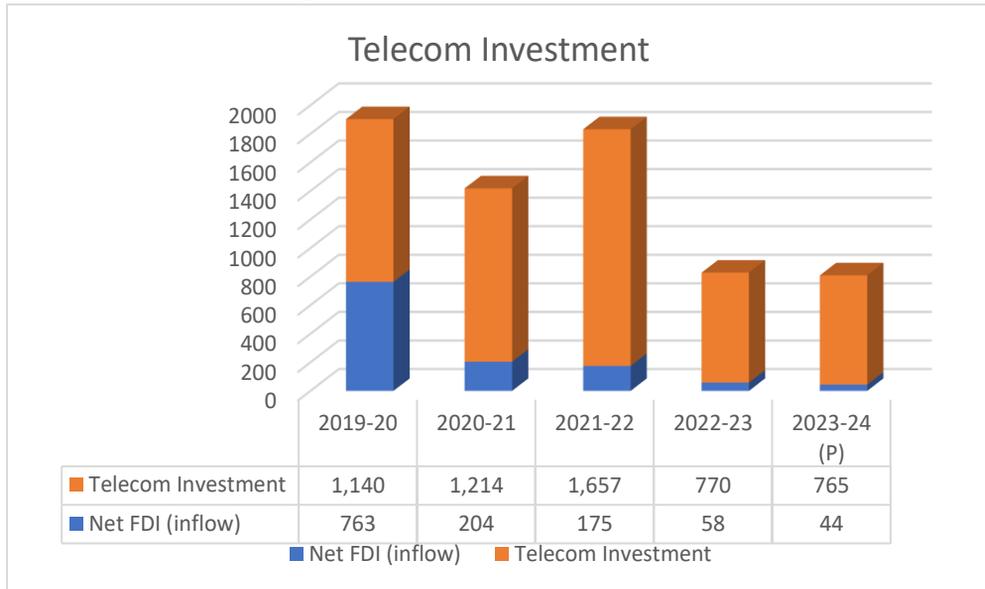
Source: Budget & expenditure statements

Seeing from holistic perspective, digital connectivity is reshaping the very fabric of societies and economies worldwide. Individuals, businesses, and industries alike are exploiting the immense opportunities emerging from enhanced use of ICTs. Being the telecom sector regulator, PTA plays a pivotal role in creating an enabling environment for expansion of advanced networks, and improving the availability of and access to cutting edge ICT technologies in association with the telecom industry and allied stakeholders.

This synergy is aimed towards the growth of telecom industry amid tough economic conditions and inflationary pressures. It is because of the supportive regulatory environment in Pakistan that 91% of the country's population enjoys mobile coverage and over 196 million subscribers are biometrically verified. Broadband penetration has touched upon 58% and has created a pool of 142 million broadband subscribers, with a percentage increase of 14% up to September, 2024. Furthermore, 3G and 4G mobile signal coverage is available to more than 81% of the populace. The major service providers in the market are Jazz, Telenor, Zong and Ufone with Jazz holding the largest market share of 37%, followed by Zong with market share of 25.7%, Telenor with market share of 22.8% and Ufone with market share of 13.5% as of September, 2024. However, PTA has received an application

for 100% acquisition of Telenor Pakistan and Orion Towers by PTCL which are expected to be merged into a single entity⁵.

Pakistan pursues global trend in the field of information technology. As a result, the economy is moving towards digitization with introduction of digital services including e-commerce, e-customer care, e-banking, mobile banking, and other ICT services. The penetration of digital technology has galvanized the people to have recourse to electronic means of communication. In this perspective, the telecom industry holds substantial investment potential, with local industry investments of US\$ 5,546 million, and Net FDI of US\$ 1,244 million over the last five years (FY 2019-20 to FY 2023-24), as detail given below:



Source: State Bank of Pakistan (Net FDI Inflow) and PTA

Despite economic challenges such as higher business costs and inflationary pressures in FY 2023-24, the service providers of telecom sector showed resilience, expanded their services and generated telecom revenues to the tune of Rs 9,550 billion. With ongoing service expansion and expected economic recovery in the medium to long term, broadband penetration is expected to increase further in the coming years. However, the telecom

⁵PTA’s Annual Report 2024

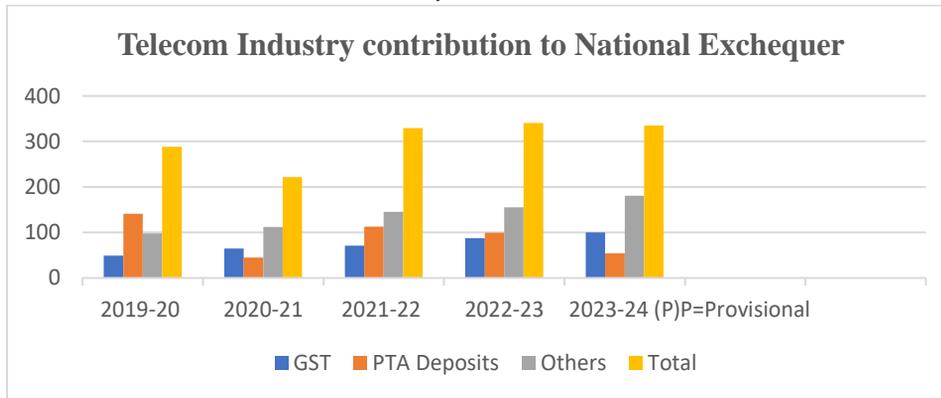
sector contributed Rs 1,515 billion to National Exchequer during the last five years as shown in the following tables, which includes contributions from various sources such as GST, PTA deposits, and other revenue streams⁶.

Telecom Industry contribution to National Exchequer

(PKR Billion)				
Period	GST	PTA Deposits	Others	Total
2019-20	49	141	98	288
2020-21	65	45	112	222
2021-22	71	113	145	329
2022-23	87	99	155	341
2023-24 (P)	100	54	181	335

P=Provisional

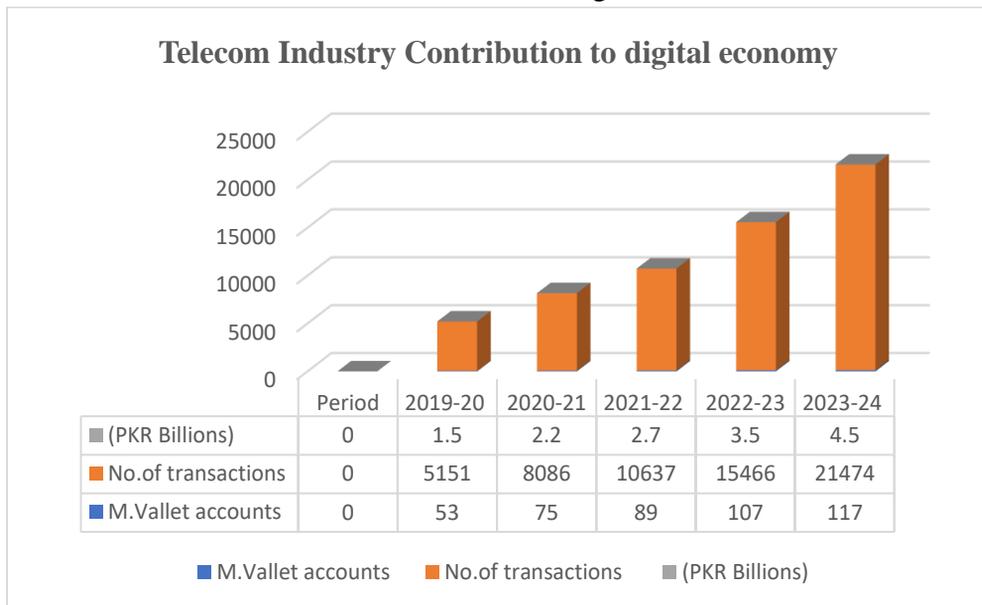
Source: Pakistan Telecommunication Authority



With the development of e-commerce, there is an urgent need for effective regulatory laws. Although such legislation was primarily introduced in 2002 through Electronic Transactions Ordinance (ETO 2002) - the first cyber bill to protect e-commerce in Pakistan, the implementation of these laws has invariably remained a challenge. The rapid growth of telecom sector requires a stringent regulatory framework for protecting the rights of the customers. For this purpose, the MoITT has been entrusted, inter alia, with the development of telecommunication links and regulation of the telecom sector.

⁶PTA's Annual Report 2024

The expansion and increased use of broadband services in Pakistan has led to proliferation of the e-commerce market, which has registered impressive growth in the last few years. Businesses are quickly adapting to digital platforms to increase their outreach and augment their scales. Mobile banking wallet accounts significantly increased upto 117 million as of March, 2024 with a percentage increase of 33.33% from last five years. Number of transactions have an outstanding growth of 21,474 billion having value of Rs 4.5 billion as detailed below during 2023-24⁷.



Over the years, these telecom entities took certain steps for realization of their objectives through introduction of new technologies and growth and development of telecommunication sector. However, Audit identified certain areas where the telecom entities fell short of carrying out their functions in an efficient and effective manner.

PTA did not elucidate adequately the clauses of the licenses and the terms and conditions of the agreements executed with the telecom operators which led to extensive legal disputes and prolonged litigations, ultimately resulting in delayed/non-recovery of dues from the telecom operators. Audit findings reveal instances where a telecom operator overcharged its

⁷PTA’s Annual Report 2024 & State Bank of Pakistan

customers, indicating poor regulatory oversight of PTA. Despite the Telecommunication Policy of 2015, mandating PTA to review the licensing framework and conducting bi-annual assessment of market absorption for new licensing; PTA failed to implement the requisite clauses and frameworks, including those for Long Distance and International (LDI) licenses. Non-implementation of Telecom Policy in this regard highlights a lapse in regulatory development and enforcement.

Financial management in the telecom entities was identified as weak. Inadmissible payments of pay, allowances, and other benefits were made. The procurement rules were also violated in numerous cases, indicating non-adherence to PPRs 2004. Human Resource Management analysis revealed that personnel were appointed in violation of the entities' own rules and regulations, which indicate weak internal controls. In short, the telecom entities faced challenges in terms of legal clarity in agreements, non-review of licensing framework, weak financial management and human resource management concerns which need to be addressed on priority to make these entities profitable, financially viable and operationally efficient.

In conclusion, while the telecommunication sector in Pakistan has shown resilience and significant contributions to the economy, the sector faces challenges related to regulatory implementation, financial management, and internal controls. Addressing these challenges, along with continued focus on innovation and technology adoption, will position the sector for sustainable growth. The government's role in creating conducive environment and enacting effective regulations is crucial for the sector's future success. Although telecom sector worldwide is facing revenue and growth challenges due to saturation, rapid technology changes, increasing competition, and high costs, yet renewed attention to the telecom sector will not only contribute to revenue and foreign exchange but will also create diverse employment opportunities, particularly in challenging economic times.

CABINET DIVISION

CHAPTER-1

PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)

Chapter-1

Pakistan Telecommunication Authority

Cabinet Division

1.1 Introduction

A) Pakistan Telecommunication Authority (PTA) is a corporate body established on 1st January 1996 under Pakistan Telecommunication (Re-organization) Act, 1996 as amended in 2006. The Authority is working under the administrative control of the Cabinet Division. Its accounts are audited by the Auditor-General of Pakistan under the provision of Section 15 of Telecommunication (Re-organization) Act, 1996. PTA's main functions are to:

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

B) Comments on Budget and Accounts

- 1.1.1 As per Note 5.3, PTA has recognized a provision of Rs 357.103 million on account of interest payable on pay, pension, gratuity, accumulating compensated absences and post-retirement medical benefits to its employees in addition to the provision of their current service cost despite the fact that PTA has no present or past obligation to pay interest on these expenses which overstates the overall expenditure in order to avoid transfer of the surplus into FCF.
- 1.1.2 According to Note 17.1 to the Financial Statements, the mark-up receivable on license renewal fee increased from Rs 2,541.652 million (in 2023) to Rs 6,626.250 million (in 2024) with an increase of 160% which shows weak receivable management.

Table-I Audit Profile of PTA

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY-2023-24	Revenue / Receipts audited FY-2023-24
1	Formations	13	01	4,295.760	37,820.804
2	<ul style="list-style-type: none">• Assignment Accounts• SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	4,295.760	37,820.804
4	Foreign Aided Projects (FAP)	-	-	-	-

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 97,437.363 million were raised in this report which include recoveries amounting to Rs 90,254.564 million. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations**(Rs in Million)**

S.No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	60.832
A	HR/Employees related irregularities	60.832
B	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	97,376.531
Total		97,437.363

1.3 Status of Compliance with PAC Directives

S. No.	Audit Year	PTA		Compliance		%age
		Total Paras	Total Directives	Received	Not Received	
1	1997-98	7	7	7	0	100
2	1998-99	13	13	10	3	77
3	1999-00	6	6	6	0	100
4	2000-01	31	31	29	2	94
5	2001-02	9	9	8	1	89
6	2002-03	3	3	3	0	100
7	2003-04	8	8	5	3	63
8	2004-05	9	9	8	1	89
9	2005-06	10	10	7	3	70
10	2006-07	12	12	6	6	50
11	2007-08	12	12	10	2	83
12	2008-09	34	27	17	10	63
13	2009-10	26	26	17	9	65
14	2010-11	39	38	21	17	55
15	2011-12	35	2	0	2	0
16	SAR 2011-12	37	3	0	3	0
17	2012-13	39	2	0	2	0
18	SSRMR 2013-14	24	24	18	6	75
19	2014-15	29	15	7	8	47

20	2015-16	24	23	14	9	61
21	2016-17	27	20	17	3	85
22	2017-18	31	25	15	10	60
23	2018-19	14	8	2	6	25
24	2019-20	17	11	5	6	45

The above table reflects that the management has shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

1.4 Irregularities

A. HR/Employees related irregularities

1.4.1 Inadmissible payment to the Members and Chairman of the Authority-Rs 17.242 million

Section 3(7) of the Pakistan Telecommunication (Re-organization) Act, 1996 states that the Member of the Authority shall be paid salary and be entitled to the privileges of an officer in MP-II and the Chairman shall be paid salary and be entitled to the privileges of an officer in MP-I. Further, the Finance Division (Regulation Wing) letter No. F.3(2)R-4/2011 dated 31st October, 2023, the Prime Minister has been pleased to revise the Management Position (MP) Salary Package with effect from 1st October, 2023 including House Rent, Utilities and other perquisites.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad made payment of Rs 17,241,677 to the Members and Chairman of the Authority on account of different allowances and perquisites during FY 2023-24 as detailed below:

S. No.	PDP No.	Payment Details	Amount (Rs in Million)
1	271-25	Payment of Eid reward and proficiency incentive.	9.059
2	272-25	Payment of house rent allowance, medical allowance, utility allowance and orderly allowance.	8.183
Total			17.242

Audit observed that the Members and Chairman of the Authority were not entitled to Eid reward and proficiency incentive at S. No.1 above. Audit further observed that house rent allowance, medical allowance, utility allowance and orderly allowance at S. No.2 above were paid in excess of authorized ceilings as admissible under MP-I and MP-II pay package.

Audit contends that payment of above allowances over and above the admissible amounts under MP-I & II scales reflects weak financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the Members of the Authority including the Chairman PTA have been drawing their salaries in the light of Finance Division's letters dated 17th January, 2007 and 7th September, 2009. Further, in the light of the Finance Division's letter dated 28th July, 2020 and Law and Justice Division's clarification dated 3rd August, 2021, the payment of allowances made to the Chairman and the Members of the Authority was in accordance with the prevailing instructions of the Finance Division.

The reply is not tenable. The Members of the Authority were eligible only for salary and privileges as admissible in MP Scales in the light of directions of the Finance Division.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed to club all the paras pertaining to the pay and allowances of the Chairman and members of the Authority to be reviewed by the Committee already constituted vide Para No.1.4.2 of Audit Report 2023-24 of PTA comprising D.G Audit P&TS, CF&AO, Joint Secretary Cabinet Division & Member (Finance) PTA and its report with findings/recommendations be forwarded within three months to the Finance Division for final decision.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2008-09, 2010-11, 2021-22, 2022-23 & 2023-24 vide Para(s) No. 1.8,1.26,1.5.5,1.5.2 & 1.4.2 having financial impact of Rs 34.409 million. Recurrence of same irregularity is a matter of serious concern.

(DP Nos. 271 & 272)

1.4.2 Non-adherence to provincial quotas in appointments - Rs 43.590 million

According to Regulation-15 (1) of PESRs 2008, the vacancies in all posts in EG-1 and above and such posts in SG-1 to SG-5 which serve the whole of Pakistan shall be filled on all Pakistan basis in accordance with the merit and provincial or regional quotas prescribed by the Federal Government for civil posts from time to time.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad appointed 41 Associate Engineers, Assistant Directors, ITOs, Office Assistants and Junior Assistant during FY 2023-24. An amount of Rs 43,590,073 was incurred on pay and allowances of the staff appointed through direct recruitment.

Audit observed the following irregularities:

- i PTA did not maintain the provincial quota of Sindh Rural and Urban as per prescribed procedure. The sanctioned strength for the position of Deputy Director was 47 posts. PTA, with 11.4% quota for Sindh Rural, appointed 07 Deputy Directors against the clear vacancies of Five (05) posts. In case of Sindh Urban with quota of 7.6% and clear vacancies of 03 posts, PTA appointed 04 Deputy Directors.
- ii In the case of Steno Typists, Office Secretary (OS), Admin Officer (AA), Assistant Admin (AA), Engineering Supervisor (ES), etc. PTA appointed 14 officials against 10 clear vacancies for Sindh Rural quota. resulting in 4 excess appointments over and above the regional quota.
- iii According to Regulation-15(3) PESR, 2008, the posts in each pay scale should be considered separately for the purpose of allocation to prescribed merit and provincial/regional quota. Audit noticed that quota for the posts of Assistant Director, Private Secretary, Accountant, AE, ITO, Superintendent, IL&T Officer, Accounts Officer, SOS, Steno/PA and Steno-typist was jointly maintained in violation of the regulations.

- iv 10% quota reserved for women, the quota for Gilgit-Baltistan, Azad Jammu & Kashmir, minorities and disabled persons at specified rates were also not maintained.

Audit contends that non-adherence to recruitment procedures and regional quotas in appointments and promotions as envisaged in PESR, 2008 demonstrates poor HR management. Audit further maintains that PTA filled all posts of various cadres on the basis of initial recruitment which deprived its employees from promotion as required under the PESR.

Audit reported the matter to the management and PAO during November, 2024. It was replied that initial recruitments are made at the entry-level positions, specifically for Assistant Directors, where quotas are strictly observed. However, there has been no direct recruitment at the Deputy Director level in the last eight years. The identified excess positions attributed to Sindh Rural and Sindh Urban quotas have arisen as a result of internal promotions wherein the quota requirements are not applied. PTA is fully maintaining the designated quotas for women, AJ&K, and minorities as required.

The reply is not tenable. The appointments were made in contravention to the PESRs.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed the PTA management to get the complete record relating to quotas and other irregularities verified from audit. However, no record was produced to Audit for verification till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 264)

1.5 Others

1.5.1 Non-recovery of outstanding dues from telecom operators till expiry of licenses - Rs 89,162.921 million

According to Clauses 4.1.1 and 4.1.2 of the general conditions of various LDI/LL/WLL licenses, the licensee shall pay the Initial License Fee (ILF), Initial Spectrum Fee (ISF), Annual Radio Frequency Spectrum Fee (ARFSF), Universal Service Fund (USF), Research and Development Fund (R&D Fund) and Late Payment Additional Fee (LPAF) on annual regulatory dues to the authority as per agreed rates in the licenses.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad issued licenses to various LDI/LL/WLL operators during 2004 for provision of telecom services for a period of twenty (20) years in consideration of various telecom dues to be recovered under clauses of the respective licenses.

Audit observed that the Authority did not collect the accrued telecom dues of Rs 9,820,995,201 on account of ISF, ARFSF, ALF and LPAF etc. Audit further noticed that PTA also did not collect various contributions of Rs 79,341,926,055 on account of USF, R&D, APC for USF and LPAF owed to the MoITT as detailed in **Annex-II**.

Audit contends that due to weak regulatory oversight, the Authority remained unable to recover the dues from various operators till expiry of their licenses in July/August, 2024.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the dues are under litigation in various courts. The outstanding dues mentioned by audit are mainly related to two of the licensees, M/s Worldcall Telecom Ltd (i.e. NVCNS & WLL) and Telecard Ltd whose licenses have been cancelled and Recovery Petitions have also been filed in revenue courts for recovery of these dues.

The reply is not tenable as PTA being the regulator failed to recover the outstanding dues despite lapse of twenty years.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed to refer the Para to PAC for final decision.

Audit recommends implementation of DAC directives.

(DP No. 278)

1.5.2 Overcharging on various mobile packages to consumers by M/s Jazz - Rs 6,583.690 million

According to Section 4(1)(m) of the Pakistan Telecommunication (Re-Organization) Act, 1996 (Amended upto 2014), the Authority shall regulate the competition in telecommunication sector and protect consumer rights. Further, as per Regulation 10(1)(i) of the Telecom Consumer Protection Regulations, 2009, the operators shall ensure that no advertisement shall be launched or tariff shall be charged for any service to consumers without approval of the Authority if such approval is required.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad approved tariffs of various packages of mobile telecom services submitted by M/s Jazz during FY 2023-24.

Audit observed that M/s Jazz overcharged its customers over and above the rates approved by the Authority. A comparative analysis of selected weekly and monthly packages revealed that the operator overcharged an amount of Rs 6,583,690,860 from the pockets of the consumers during FY 2023-24 as detailed in **Annex-III** and summarized below:

Date of approval	Package	Approved Rates	Prospective consumers (As per Jazz)	Rate on 08.11.24 (Website)	Monthly over charging	Overcharging from last approval date
					(Rs in Million)	
04.04.24	Monhtly super Duper	955	1,025,640	1,043	90.256	722.051

04.04.24	Monthly Freedom	1652	892,080	1,739	77.611	620.888
04.04.24	Weekly Super Plus	390	670,290	434	29.493	235.942
04.04.24	Weekly Freedom	478	2,602,920	504	67.676	541.407
16.02.24	Weely X	475	21,000	520	0.945	8.505
16.02.24	Montly X	1739	6,000	1,826	0.522	4.698
22.01.24	Monthly Max	1565	1,339,650	1,652	116.549	1,165.495
22.01.24	Monthly Your Tube & Social offer	348	2,472,870	434	212.667	2,126.668
01.11.23	Weekly Super max	430	2,010,480	478	96.503	1,158.036
Total					692.222	6,583.690

Audit contends that charging by M/s Jazz over and above the approved tariff rates indicated poor regulatory oversight of PTA.

Audit reported the matter to the management and PAO during November, 2024. It was replied that being a de-regulated industry, PTA only looks after competition and avoids predatory pricing by SMP operator, to let other operators control Average Revenue Per User (ARPU) of the operators which is already least in the world and the region. PTA vide letters dated 12th February, 2024 and 12th August, 2024 granted approvals to Jazz for increase in prices of its packages, at its own, upto maximum 15% per quarter and upto 5% decrease in incentives in any bundle / package / plan under prior intimation to Authority for a period from February - June 2024 and August - December 2024 respectively. Jazz has increased prices of its packages vide letter dated 12th November, 2024 under intimation to PTA.

The reply is not tenable. Audit retrieved the information from various proposals submitted by M/s Jazz to PTA during FY 2023-24 and approvals accorded by the Authority. Further, blanket approval upto 15% quarterly increase in tariff to the operator was against the spirit of Consumer Protection Regulations.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed the PTA management to provide complete record of increase in rates of various mobile packages as approved

by the Authority to audit for verification. PTA did not furnish the requisite record till the finalization of this report.

Audit recommends implementation of DAC directives, besides inquiry into the matter and fixation of responsibility on the person(s) at fault.

(DP No. 268)

1.5.3 Non-renewal of LDI & FLL Licenses resulting in non-recovery of RLF-Rs 1,051.558 million

According to Clause-4.1.1 (a) of the Revised Template of the LDI and FLL Licenses, Licensee shall pay the following initial fees to the Authority prior to the renewal date as Renewal License Fee (RLF) @ US \$ 500,000 and \$ 10,000 respectively or their equivalent Pakistan Rupee. Clause-4.2.2 of the license further states that in addition to other remedies available to the Authority, the late payment on any amount due under this license, including the Renewal License Fee (RLF), initial Spectrum Fee and all regulatory fee, contribution, and charges under clause 4.1 shall incur an additional fee calculated at the rate of 2% per month on the outstanding amount for each month or part thereof from the due date until paid.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad was required to collect the Renewal License Fee (RLF) and Late Payment Additional Fee (LPAF) from various LDI and FLL Licensees during FY 2023-24 as detailed in **Annex-IV**.

Audit observed that PTA failed to collect the dues from the LDI and FLL operators till finalization of this report. Audit also revealed that PTA referred the case of defaulter LDIs and FLL operators to MoITT for policy directive of the Federal Government. The MoITT vide its letter dated 2nd August, 2024 communicated the opinion of the Law and Justice Division, advising PTA to vacate the stay orders of the operators which could not be vacated till date.

Audit contends that due to non-resolution of issue of LDIs and FLL by PTA and MoITT, the government dues could not be collected in a timely

manner and the operators continued to carry out their businesses without renewal of licenses and payment of dues.

Audit reported the matter to the management and PAO during November, 2024. It was replied that all LDI and FLL licenses are pending for renewal in pursuance of court orders. It is further clarified that PTA well before time intimated all the licensees to clear outstanding dues for renewal of licenses. However, all licensees on the issue of APC for USF filed various court cases which are still pending adjudication. Due to non-issuance of policy directive with regard to renewal of license, LDI/FLL companies filed court cases before the Court.

The reply is not tenable. Due to stalemate between PTA and MoITT on the issuance of policy directives by the Federal Government, the LDI issue could not be resolved. Consequently, neither the outstanding dues could be recovered nor the RLF could be realized from the operators.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed the PTA management to take up the matter with MoITT and keep close coordination with the Ministry to finalize the issue for recovery of government dues at the earliest. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 261 & 262)

1.5.4 Unauthorized renewal of LDI licenses - Rs 418.425 million

As per Clause-5.2.1 of the Telecommunications Policy, 2015, the current licensing regime will continue to apply, however; PTA will conduct bi-annual assessment of market absorption capacity and any new licensing in LL, LDI and WLL sectors will be subject to such assessment. Clause 5.2.3 of the Policy, *ibid* requires that the Federal Government (MoITT), in consultation with PTA, will review the licensing policy framework, keeping in view the market state at that time. Any proposed changes to the licensing

regime will be made in consultation with the sector stakeholders and will be subject to approval by the Federal Government.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad renewed the licenses of three LDI licensees after completion of 20 years period as detailed below:

S. No.	Name of LDI	Renewal Date	Amount (Rs in Million)
1	M/s LinkdotNet Telecom Ltd. (\$500,000@Rs 278.90)	1 st Aug, 2024	139.450
2	M/s Telenor LDI Communication Pvt Ltd (\$500,000@Rs 278.90)	7 th Aug, 2024	139.450
3	M/s Orient Express LDI Pvt. Ltd. (\$500,000@Rs 279.05)	15 th Aug, 2024	139.525
Total			418.425

Audit observed the following discrepancies:

- i. The Authority renewed the licenses of existing three LDIs for another term of 20 years without carrying out bi-annual assessment, reviewing the licensing policy framework and policy directives of the Federal Government.
- ii. PTA renewed the LDI licenses with revised terms and conditions under Clause-3.2.6 (a), (b) and (c) for technical and financial plan of OFC Network, Satellite Station and Submarine Cable Landing Station with proviso of leasing options under each sub-clause without prior approval of the Federal Government.
- iii. Lastly, the revised LDI license did not contain any framework/ caveats to encourage the operators to engage in dispute resolution with the Authority instead of resorting to seek court stay orders to avoid the obligations under the license.

Audit contends that renewal of the existing licenses without comprehensive review of licensing policy framework and policy directives

of the Federal Government and revision of terms and conditions of the licenses without approval of the Federal Government reflect non-compliance to the provisions of Telecom Policy, 2015.

Audit reported the matter to the management and PAO during November, 2024. It was replied that PTA conducted its “Bi-annual Assessment of Market Absorption Capacity” and forwarded the same to MoITT vide its letters dated 29th May, 2018 and 10th September, 2020. PTA requested MoITT for issuance of policy directives for inclusion of infrastructure related obligations and renewal of LDI licenses. MoITT vide letter dated 10th June, 2021 intimated that PTA is empowered to conclude the grant of new LDI Licenses with enhanced terms and obligations without policy directives of the Federal Government. Accordingly, new licenses were issued. PTA in its letter to MoITT dated 22nd April, 2024 requested that new licensing framework as provided in clause 5.2.3 of Telecom Policy 2015 was not yet issued, whether license renewals should be processed for further period of 20 years?” PTA conducted a consultation with all stakeholders, including MoITT, and included an option of lease in LDI license condition 3.2.6. PTA renewed the licenses on terms and conditions consistent with the policy directive, if any, of the Federal Government at the relevant time.

The reply is not tenable. After change in the definition of the Federal Government by the Supreme Court of Pakistan in Mustafa Impax Case of 2016, the MoITT was not authorized to issue policy directives and PTA was under obligation to obtain policy directives of the Federal Government, renew the LDI licenses and revise terms and conditions of the licenses with the prior approval of the Federal Government.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed to pend the Para involving the audit of regulatory functions for further pursuance till the decision of case of audit of regulatory functions of NEPRA from Supreme Court of Pakistan. D.G Audit P&TS, however, contended that the audit of regulatory functions of PTA could not be linked with the litigation case of NEPRA as PTA was not a

party in the instant case and did not fall under the ambit of sub-judice matters. No further progress was intimated till the finalization of this report.

Audit recommends that the matter be investigated at the highest forum for identifying lapses, negligence and fixing responsibility against those held responsible(s).

(DP No. 277)

1.5.5 Unjustified deduction of administrative surcharge from AJ&K and GB bank profits- Rs 119.852 million

The Pakistan Telecommunication Authority vide its decision dated 18th July, 2007 at Para-63/N of the relevant file decided to deduct 5% administrative surcharge on Annual License Fee to be collected by PTA and distribute the remaining amount in ratio of 77:23 between AJ&K and NA(GB) governments respectively.

Pakistan Telecommunication Authority under the Cabinet Division, Islamabad deducted Rs 119,852,142 as administrative surcharge from the bank profit earned in two NIDA Bank Accounts No. 3000942231 and No.3000942311 during FY 2023-24 respectively.

Audit observed that deduction of administrative surcharge by PTA on the bank profits in addition to the deduction of administrative surcharge on Annual License Fee collections of the governments of AJ&K and GB was unauthorized.

Audit contends that the deduction of administrative surcharge from the bank profits of AJ&K and GB was unjustified, resulting in short transfer of amounts due to AJ&K and GB governments.

Audit reported the matter to the management and PAO during November, 2024. It was replied that deduction of administrative surcharge on bank profits is a settled fact and PTA has been deducting the same since the decision taken in the Inter-Ministerial Meeting held on 12th April, 2006.

Para 15(f) of the decision states, that “100% fees/charges of any kind payable by licensees to PTA less administrative charges/cost of regulation will be transferred to AJ&K Council and Administration of Northern Areas in time regularly”.

The reply is not tenable. Audit objected over the deduction of administrative surcharge on bank profits instead of deduction on collection of ALF.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC directed PTA to transfer the amount deducted on account of administrative surcharge on bank profits and record be got verified from audit. In future the process may be reviewed and no administrative surcharge on bank profits be deducted on collections accounts of AJ&K and GB. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 269)

1.5.6 Non-recovery of outstanding dues against telecom operators - Rs 40.085 million

According to Clause 4.4.1 of general conditions of license, the licensee shall pay all annual fee to Authority within 120 days of the end of the financial year to which such fee relate. Para 4.4.2 states that in addition to any other remedies available to the authority, late payment of all fees including the initial license fee shall incur an additional fee calculated at the rate of 2% per month on the outstanding amount for each month or part thereof from the due date until paid.

Seven (07) telecom operators were billed for Rs 915,561,963 on account of annual regulatory dues against which an amount of Rs 875,477,008 was recovered during FY 2023-24 as detailed below:

S. No.	Name of Company	Particular	Amount Billed	Amount Recovered	Amount Outstanding
			(Rs in Million)		
1	PTCL	Basic Telephony	421.909	384.105	37.804
2	Telenor Pakistan	Annual license fee	489.843	488.327	1.516
3	NADRA	Voice-CVAS	0.005	0	0.005
4	World call	Local Loop	0.597	0.579	0.018
5	World call	LDI	1.639	1.147	0.493
6	Wi-Tribe	LDI	0.423	0.302	0.121
7	ITRACK (Pvt) Ltd	Data CVAS	1.145	1.017	0.129
Total			915.561	875.477	40.086

Audit observed that PTA did not recover an amount of Rs 40,084,955 on account of annual regulatory dues from the operators.

Audit contends that non-recovery of telecom dues from operators indicates weak receivables management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the outstanding dues of Rs 40,084,955 were under litigation.

The matter was discussed in the DAC meeting held on 26th December, 2024. The DAC accepted the adjusted amount of Rs 128,551 as verified by audit and directed PTA management to recover all the outstanding amounts and get it verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 286)

CABINET DIVISION

CHAPTER-2

FREQUENCY ALLOCATION BOARD (FAB)

Chapter 2

Frequency Allocation Board (FAB)

(Cabinet Division)

2.1 Introduction

A) Frequency Allocation Board (FAB), established on 1st January 1996 under the Pakistan Telecommunication (Reorganization) Act, 1996 is under the administrative control of the Cabinet Division. Main source of revenue of FAB is Spectrum Administrative Fee which is collected by PTA from telecom operators against which FAB prepares its annual budget and submits to the Authority for approval and release of funds. Section 42 of Pakistan Telecommunication (Reorganization) Act, 1996 requires its 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 (ITU). Its main functions are to:

- 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.
- Monitor the sphere and determine illegal users of frequencies and report to PTA for action under the Act.

B) Comments on Budget and Accounts

2.1.1 FAB management prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). FAB did not provide the annual audited accounts for FY 2023-24 till finalization of this report; however, comments are offered on the Financial Statements for the FY 2022-23 as under:

- i) As per Note 13 to the Financial Statements, the opening balance of deferred liabilities was Rs 506.458 million, whereas the

Statement of Financial Position reflected the deferred liabilities for Rs 623.029 million.

Table-I Audit Profile of FAB

(Rs in Million)

S. No.	Description	Total Nos.	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	01	01	1,515.067	-
2	<ul style="list-style-type: none"> • Assignment Accounts • SDAs 	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	1,515.067	-
4	Foreign Aided Projects (FAP)	-	-	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 18,157.757 million were raised in this report during the audit of Frequency Allocation Board. Summary of the Audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
4	Value for money and service delivery issues	-
5	Others	18,157.757
Total		18,157.757

2.3 Status of Compliance with PAC Directives

S. No	Audit Year	FAB		Compliance		%age
		Total Paras	Total Directives	Received	Not Received	
1	1997-98	2	2	2	0	100
2	1998-99	5	5	5	0	100
3	1999-00	4	4	4	0	100
4	2000-01	3	3	3	0	100
5	2002-03	8	8	8	0	100
6	2003-04	5	5	5	0	100
7	2004-05	5	5	5	0	100
8	2005-06	10	9	9	0	100
9	2006-07	5	2	2	0	100
10	2007-08	3	3	2	1	67
11	2008-09	7	7	7	0	100
12	2009-10	7	7	7	0	100
13	2010-11	9	8	7	1	88
14	2013-14	11	11	10	1	91
15	2014-15	9	6	6	0	100
16	2015-16	5	3	3	0	100
17	2016-17	6	4	4	0	100
18	2017-18	10	8	6	2	75
19	2018-19	5	4	2	2	50
20	2019-20	12	8	8	0	100

The above table reflects that the management has shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

2.4 Others

2.4.1 Loss due to illegal use of additional radio frequency spectrum - Rs 18,042.000 million

According to Regulation 4(3)(d)(i) of Radio Frequency Spectrum (Allocation, Management & Monitoring) Regulations, 2021, the Board has the powers to suspend and cancel the assignment of radio frequency to any operator or user upon the recommendation of the Authority or the PEMRA in case of licensee or proof sufficient to satisfy the Board that the operator or user has violated, caused, aided or abetted the violation of the Act, the Ordinance or the rules or regulations made there under or any term, technical specification or parameter of the license or frequency approval issued in relation to it. Further, in the 44th meeting of FAB, it was decided that temporary frequency assigned would stand withdrawn upon license expiry, with the spectrum to be auctioned as per Act, Telecom Policy 2015 and policy directive of the government.

Frequency Allocation Board (FAB) under the Cabinet Division, Islamabad allocated temporary additional compensatory frequency spectrum to M/s China Mobile Pakistan Ltd (Zong) for its 2G (GSM) license during its 30th Board meeting held on 8th September, 2007 due to cross border interference from Indian CDMA networks, which affected the Zong's service in the border areas of the Punjab and Sindh. The allocation was initially for one year, extended by three years and subsequently extended till the expiry of 2G (GSM) license in October, 2019 as decided in the 42nd Board meeting of FAB on 9th February, 2016 which was communicated to M/s CM Pak vide letter dated 11th March, 2016.

Audit examined the relevant record and observed that:

- i. M/s CM Pak (Zong) continued to use illegal temporary additional compensatory spectrum after expiry of its 2G (GSM) license in

October, 2019 till date as evident from monitoring reports issued by FAB during September, 2024.

- ii. M/s CM Pak used this temporary additional frequency for provision of LTE (4G) services after 2014 in violation of the terms and conditions of its 2G (GSM) license. Further, the additional frequency was being used at places other than affected border areas of the Punjab and Sindh.
- iii. PTA issued enforcement order on 14th December, 2020 and directed the operator to vacate the frequency spectrum and make payment of illegal use at the rate of US\$ 29.5 million per MHz as fixed in the policy directive dated 9th May, 2019 for the period after the expiry of its 2G (GSM) license.
- iv. In the light of PTA enforcement order, an amount of Rs 18,042,200,000 $\{(US\$ 29,500,000/15 \times 5) \times 6.6 \text{ MHz}\} \times Rs 278$ per US\$) was required to be recovered from M/s CM Pak Ltd for the period from October, 2019 to October, 2024. Despite this, neither was the frequency spectrum vacated/cancelled by FAB nor was the spectrum utilization charges recovered by PTA from the operator; notwithstanding the dismissal of the writ petitions by the Honorable Islamabad High Court on 21st August, 2024 with the cost of legal proceedings.

Audit contends that illegal use of spectrum by M/s CM Pak (Zong) beyond the expiry of its license not only violates regulatory requirements but also results in significant financial loss to the national exchequer.

Audit reported the matter to the management and PAO during October & November, 2024. It was replied that M/s CM Pak challenged the decision of Honorable Islamabad High Court in the Honorable Supreme Court of Pakistan (SCP). M/s CM Pak signed license of PTA on 4th October, 2024 in compliance to the orders of the SCP. Extensive negotiations and discussions were conducted with M/s CM Pak in order to reach a mutually acceptable solution. Unfortunately, no consensus was achieved. Enforcing the spectrum vacation in presence of status quo orders would constitute

contempt of court. Recovery of payment for use of additional spectrum was the mandate of PTA and would be processed as per orders of the SCP.

The management admitted the audit contention; however, the amount was not recovered from the operator despite signing of the license in the light of Honorable Supreme Court orders.

The matter was discussed in the DAC meeting held on 27th December, 2024. The DAC directed the FAB management to pursue the court case vigorously and results thereof be shared with audit. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2015-16, 2017-18 & 2019-20 vide Para(s) No. 2.4.1, 2.4.1 & 2.5.3 having financial impact of Rs 53,547.800 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 219)

2.4.2 Illegal retention of receipts and non-transfer to FCF - Rs 115.757 million

According to Section 40(B) of the Public Finance Management Act, 2019, non-tax revenue shall be levied and charged in accordance with the relevant laws and such other applicable instruments. Notwithstanding anything to the contrary contained in any other law for the time being in force, public entities as defined under Section 36 shall pay non-tax revenue. Non-tax revenue representing foreign grants and payments, receipts from provision of services, rents, recovery of overpayments, sale of property etc. shall accrue on completion of the prescribed process. Further, Section 40C stipulates that the revenue collection offices shall deposit the collected amount in Federal Consolidated Fund (FCF) promptly without delay in prescribed manner under the head of account specified by the Finance Division. The revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures.

Frequency Allocation Board (FAB) under the Cabinet Division, maintained a National Income Daily Account (NIDA) No. 3164207075 at the National Bank of Pakistan (NBP), Islamabad since 14th February, 2020. As of 30th June, 2024, the account had a balance of Rs 115,756,826.

Audit observed that the receipts collected from various sources, including recoveries for house building, car, and motorcycle advances, rent recovery for staff quarters, water charges, recovery of pay and allowances, liquidated damages (LD) charges, auction receipts for unserviceable items, and the interest earned on these amounts, was not transferred to the Federal Consolidated Fund (FCF). Instead, these receipts were illegally deposited into the above-mentioned NIDA account.

Audit contends that illegal retention of amount in the NIDA account is a violation of the Public Finance Management Act, 2019 which reflects weak financial discipline.

Audit reported the matter to the management and PAO during October & November, 2024. It was replied that in pursuance of the DAC directives dated 16th April, 2019, while discussing Audit Report 2017-18, FAB opened a separate NIDA account to keep all the recoveries and regularly maintain in the books of accounts.

The reply is not tenable as the public entities were required to deposit all the recoveries into the FCF under Public Finance Management Act, 2019.

The matter was discussed in the DAC meeting held on 27th December, 2024. The DAC directed the FAB management to share all information regarding NIDA account with Audit for verification and deposit the retained amount of recoveries directly into FCF. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 228)

2.4.3 Un-authorized use of radio frequency spectrum by Sun TV

According to Regulation 4(3)(d)(i) of Radio Frequency Spectrum (Allocation, Management & Monitoring) Regulations, 2021, the Board has the powers to suspend and cancel the assignment of radio frequency to any operator or user upon the recommendation of the Authority or the PEMRA in case of licensee or proof sufficient to satisfy the Board that the operator or user has violated, caused, aided or abetted the violation of the Act, the Ordinance or the rules or regulations made there under or any term, technical specification or parameter of the license or frequency approval issued in relation to it.

Frequency Allocation Board (FAB) (erstwhile Pakistan Wireless Board) under the Cabinet Division Islamabad allocated frequency spectrum of 2600 MHz band in January, 1996 to Pay TV Pvt. Ltd. against the wireless TV cable license using analog MMDS system in three cities (Karachi, Lahore & Islamabad) issued by Ministry of Information & Broadcasting in March, 1995 for fifteen years. The said frequency was allocated subject to renewal every year. In 1996, Pay TV entered into a joint venture with Shaheen Foundation and changed its name as Shaheen Pay TV. In 2003, Shaheen Pay TV was taken over by Southern Network Limited (Sun TV) which claimed rights to all licenses and frequencies previously granted to Pay TV Pvt. Ltd. Further, Sun TV obtained a CVAS (data and internet service) license from PTA for a duration of fifteen years in October, 2003. In May, 2004, PEMRA issued three new MMDS licenses to Sun TV for ten years with a condition that radio frequency spectrum would be allocated by FAB. The licenses issued previously to Pay TV or Sun TV (now DWN) were expired in 2010 (MoIB), 2014 (PEMRA) and 2018 (PTA) respectively.

Audit examined the relevant record and observed that:

- i. Erstwhile Pakistan Wireless Board (now FAB) initially assigned frequency spectrum to Pay TV rather than Sun TV. No rights were granted to transfer, underlet, or dispose of the license or frequency.

The joint venture initiative undertaken by Pay TV and Shaheen TV should have led to the cancellation of the original license.

- ii. The 2600 MHz frequency was allocated in 1995 for one year, subject to annual renewal. However, Pay TV Pvt. Ltd. failed to renew or reassign the frequency after 1995. Despite this, Pay TV (now Sun TV) continued to use the 2600 MHz spectrum illegally for wireless TV (1996) and data services (2003) till September 2024, as indicated by FAB monitoring reports. Sun TV did not apply for frequency allocation to FAB, instead citing a stay order granted by the Honorable Sindh High Court, allowing them to use the 2600 MHz band as exclusive rights.
- iii. The Honorable Sindh High Court dismissed the petition filed by Sun TV in its order dated 14th December, 2023 directing PEMRA and FAB to entertain the operator's request. Following this, PEMRA, in its 182nd Board meeting held on 21st February, 2024 and FAB in its 50th Board meeting held on 12th March, 2024 turned down Sun TV's request, providing detailed reasons for their decisions.

Audit contends that the prolonged unauthorized use of spectrum by Sun TV has resulted in significant financial loss to the national exchequer. Furthermore, the delay in vacating the stay and not taking concrete action by PEMRA, PTA, and FAB has exacerbated this issue.

Audit reported the matter to the management and PAO during October & November, 2024. It was replied that the Board in its 52nd Board meeting held on 13th November, 2024 gave an opportunity of hearing to Sun TV in compliance of the orders of the Honorable Sindh High Court and unanimously rejected their request for preferential frequency assignment in 2600 MHz band, being in contravention of the existing legal framework and directed Sun TV to immediately cease unauthorized usage of spectrum and to submit a compliance report to the Board. PTA and PEMRA were making concrete efforts to vacate the stay orders and stop Sun TV from making unauthorized use of spectrum.

The reply is not tenable. FAB failed to suspend or cancel the assignment of radio frequency to the operator as required under its technical regulations.

The matter was discussed in the DAC meeting held on 27th December, 2024. The DAC directed the FAB management to pursue the court case vigorously. No further progress was intimated till the finalization of this report.

Audit recommends that fact finding inquiry may be made and responsibility fixed against the person(s) at fault.

(DP No. 229)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-3

**NATIONAL RADIO &
TELECOMMUNICATION CORPORATION
(NRTC)**

Chapter 3

National Radio & Telecommunication Corporation (NRTC) (MoDP)

3.1 Introduction

A) The National Radio & Telecommunication Corporation (NRTC) was established on 16th February, 1966 and was registered under the Companies Ordinance, 1984 as a Private Limited Company. NRTC falls under the administrative control of the Ministry of Defence Production. The Corporation is managed by a Board of Directors, chaired by Secretary, Ministry of Defence Production.

The main objectives of the Corporation include manufacturing and assembling of all kinds of radio and wireless sets for Defence Services, jamming solutions and production of batteries, eliminators and distribution point boxes for PTCL and NTC. Besides, the Corporation is also engaged in expanding its business for introduction of new products and IT solutions.

B) Comments on Budget and Accounts

3.1.1 IFRS-10 requires an entity (Parent) that controls one or more other entities (Subsidiaries) to present consolidated financial statements. The Cabinet Division vide letter dated 1st October, 2021 communicated the decision of the Federal Cabinet regarding transfer of 100% shareholding of TIP to NRTC; however, NRTC did not prepare its Consolidated Financial Statements as per IFRS-10 despite a lapse of a considerable time.

3.1.2 As per Note 39 (a & m) of Financial Statements, liability for Gratuity Fund was Rs 970.570 million, whereas the actual balance as on 30th June, 2024 was Rs 696.089 million which indicates that the Company was required to contribute the short fall of Rs 274.481 million to the Gratuity Fund on 30th June, 2024 to cover the deficit.

- 3.1.3 As per Note 8 & 16.1 to the Financial Statements, Depreciation Reserve Fund was created with the approval of BOD for the purpose of replacement of property, plant & equipment. NRTC charged the depreciation expense of Rs 403.076 million for the FY 2023-24 but the Depreciation Reserve Fund was not enhanced accordingly.
- 3.1.4 As per Note 37.2, the receivables, past due over 91 to 180 days, increased by 868% from Rs 80.737 million (2023) to Rs 781.391 million (2024) which reflects weak receivable management.
- 3.1.5 As per Note 21, the finished goods stock in trade was increased by 195% from Rs 505.466 million (2023) to Rs 1,491.775 million (2024) which reflects weak inventory management.

Table-I Audit Profile of NRTC

(Rs in Million)

S. No.	Description	Total Nos.	Audited	Expenditure audited (FY 2023-24)	Revenue / Receipts Audited (FY 2023-24)
1	Formations	01	01	22,372.670	22,841.460
2	<ul style="list-style-type: none"> • Assignment Accounts/ • SDA 	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	22,372.670	22,841.460
4	Foreign Aided Projects (FAP)	-	-	-	-

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 5,135.416 million were raised in this report. This amount also included recoveries of Rs 2,243.427 million as pointed out by audit. Summary of the audit observations classified by nature was as under:

Table-II Overview of Audit Observations**(Rs in Million)**

S. No.	Classification	Amount (Rs)
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	438.370
A	Procurement related irregularities	438.370
4	Value for money and service delivery issues	87.490
5	Others	4,609.556
Total		5,135.416

3.3 Status of Compliance with PAC Directives

S. No	Audit Year	Total Paras	Total Directives	Received	Not Received	%age
1	1988-89	3	3	3	0	100
2	1990-91	10	10	10	0	100
3	1992-93	10	10	10	0	100
4	1994-95	No para was printed in AR.				
5	1996-97	10	6	4	2	67
6	1997-98	10	10	10	0	100
7	1999-00	9	9	9	0	100
8	2000-01	12	12	12	0	100
9	2001-02	8	8	8	0	100
10	2003-04	9	9	9	0	100
11	2004-05	13	13	13	0	100
12	2005-06	8	8	8	0	100
13	2006-07	6	6	6	0	100
14	2007-08	13	12	12	0	100
15	2008-09	9	9	9	0	100
16	2009-10	5	4	4	0	100
17	2010-11	6	4	3	1	75
18	2012-13	20	20	20	0	100
19	2016-17	13	5	4	1	80
20	2017-18	18	13	12	1	92

The above table reflects that the management has shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

3.4 Irregularities

A. Procurement related irregularities

3.4.1 Irregular procurement of goods and services – Rs 397.920 million

According to Rule-12 (2) of Public Procurement Rules, 2004 (amended 2021), all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. Rule-42 (C) further stipulates that a procuring agency shall only engage in direct contracting if, (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier, provided that the same are not available from alternative source; and (ii) only one manufacturer or supplier exists for the required procurement, provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence.

National Radio & Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, issued purchase orders to different local and foreign vendors for procurement of goods and services. An expenditure of Rs 397,920,428 was incurred on these procurements during FY 2023-24 as detailed below:

S. No.	PDP No.	Description	Amount (Rs in Million)
1	173-25	Procurement of goods and services from foreign vendors	145.020
2	175-25	Procurement of equipment & devices	22.284
3	177-25	Procurement of computers	4.199

4	178-25	Procurements fork stackers, pallet trollies, strapping machine, staple gun machine and drill machine	3.735
5	182-25	Procurement of HMA-J Plug connector	215.233
6	185-25	Procurement of different items of parts and components	7.449
Total			397.920

Audit examined the record and observed that:

- i. The procurements were made either through quotations or method of direct contracting without approval of appropriate fora constituted by the BoD.
- ii. For procurement at S.No.6 above, NRTC invited open tenders with single stage two envelopes but appropriate evaluation criterion listing all the relevant information against which bids were to be evaluated was not mentioned in the bidding documents. The comparative statement of the technical evaluation was altered through cutting / overwriting, disqualify all other bidders except M/s Deal Tools & Technics.
- iii. No technical evaluation committee was constituted for any procurement of goods and services.

Audit contends that procurements in violation of the PPRs and against evaluation criteria set by PPRA reflect weak procurement management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the procurements were either made from registered OEM's due to payment restriction imposed by the State Bank of Pakistan or sensitive items were procured with the prior exemption from Principal Accounting Officer (PAO).

The reply is not tenable. The procurements were made in violation of Rules without open tenders, valid OEMs and exemption certificates granted by PAO.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC constituted a fact-finding inquiry committee comprising members from the MoDP, NRTC and TIP to examine the issue in the light of audit objection, management response and procurement rules and submit the report thereof along with its findings & recommendations. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.173,175,177,178,182 &185)

3.4.2 Irregular award of work costing – Rs 31.245 million

According to Rule 2 (h) (i) (ii) of Public Procurement Rules (PPRs), 2004, most advantageous bid means, a bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to the issued by the Authority. Rule 29 states that the 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. Failure to provide for unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

NRTC under the Ministry of Defence Production, Rawalpindi, invited open tenders on single stage two envelopes method for procurement of various items. An expenditure of Rs 31,244,918 was incurred for these procurements during FY 2023-24 as detailed below:

S. No.	PDP No.	Purchase order No. & date	Description	Name of contractor	Amount (Rs in Million)
1	174-25	LG-047-2023 dt: 20.10.2023	Purchase of VM HC KIT etc.	M/s Inara Technologies	10.657

2	-do-	LG-048-2023 dt: 16.10.2023	Purchase of Microsoft CAL License	M/s Pakistan Mobile Communications	4.643
3	-do-	LG-060-2023 dt:17.11.2023	Supply, installation, testing & commissioning of FACP	M/s Al-Hamd Engineering Service, IBA	2.823
4	-do-	LG00000095 dt: 6.1.2024	Purchase of heavy-duty trucks	M/s store & spares Eng.	4.080
5	-do-	LG00000136 dt: 1.2.2024	Purchase of electric staker	M/s K- engineering Intl.	3.009
6	186-25	LG-075-2023 dt: 20.12.2023	NRTC corporate & product brochure and hand bags	M/s Digital Fly, Lahore	6.033
Total					31.245

Audit examined the record and observed that:

- i. Neither technical evaluation committee was constituted nor technical evaluation was made as per evaluation criteria set in the bidding documents. The technical evaluation only mentioned qualified / complied instead of specifying the detail evaluation by assigning scores.
- ii. As per technical scrutiny sheet, some bidders were declared as fully complied while others were shown partially complied; however, financial bids of all the bidders were opened.
- iii. The work at S.No. 6 above was awarded to a single bidder without making any inverse calculation for financial evaluation.

Audit contends that procurements in violation of the PPRs and against evaluation criteria set by PPRA reflect mis-procurement.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the evaluation criteria were available and bids were technically evaluated by a team of user; accordingly, purchase orders were placed on lowest bidders. Certain vendors quoted for only few

items; hence, all financial bids were opened for healthy competition. Purchase order for brochure & hand bags was placed after fulfilment of tender requirements and passing of samples by user department.

The reply is not tenable. The bids were not evaluated according to the criteria set in the bidding documents. Further, NRTC opened all financial proposals including the bids which were not technically qualified.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC constituted a fact-finding inquiry committee comprising members from the MoDP, NRTC and TIP to examine the issue in the light of audit objection, management response and procurement Rules and submit the report thereof along with its findings & recommendations. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.174 & 186)

3.4.3 Non-transparent award of work - Rs 9.204 million

According to Rule-4 of Public Procurement Rules, 2004 (amended 2021), procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule 29 *ibid*, the 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. Failure to provide for unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement. Rule 30 (1) states that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. No evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

National Radio & Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, invited open tenders using the single-stage, two-envelope method for the procurement of testing equipment. As per the evaluation criteria outlined in the bidding documents, bidders securing 75% marks or more would be considered technically qualified. Out of three bidders, M/s Rohde & Schwarz, Pakistan was declared technically qualified, securing ninety-five (95) marks. An expenditure of Rs 9,204,000 was incurred during FY 2023-24.

Audit examined the record and observed that:

- i. The technical evaluation sheet was signed by the HoD (PM & QC) without formulation of technical evaluation committee as per PPRA Rules.
- ii. According to bidding documents, power supply 0-200V/70Amp-5KW and NGP 814 was required. However, M/s Rohde & Schwarz, Pakistan quoted the PSI-10000-15KW model, whereas the comparison sheet listed the PSI-10200-70 model. Similarly, M/s Trade Linkers and M/s Amigo International, quoted the 8900 series but the comparison sheet referred to N8941-A model. Additionally, M/s Amigo International submitted a copy of the brochures provided by M/s Trade Linkers instead of their original documentation.
- iii. M/s Rohde & Schwarz, Pakistan submitted self-assigned 95 marks in the "qualifying marks" column in Form No.4 and the same were accepted by the technical evaluation officer, granting undue favour.
- iv. In the case of M/s Amigo International, two evaluation forms of 22nd April, 2022 prepared by the technical evaluation officers showed different marks. One form represented 80 marks, whereas the other indicated 65 marks. Consequently, M/s Amigo International was technically disqualified and the contract was awarded to M/s Rohde & Schwarz, Pakistan being single bidder.
- v. Score of thirty (30) was allocated for "technical scrutiny" without specifying the basis for award of scores. The evaluating officer awarded full thirty marks to M/s Amigo International and M/s Rohde

& Schwarz, Pakistan and assigned only fifteen marks to M/s Trade Linkers without providing any justification.

Audit contends that non-adherence to procurement rules and lack of transparency in technical evaluation process led to non-transparent procurement and reflects weaknesses of internal controls.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the quoted model by M/s Rohde & Schwarz was different from the model referenced in the tender which was within the acceptable technical parameters. The equipment quoted by M/s Trade Linkers and M/s Amigo International (8941A series and N8921-A model) were found short of the required specifications, leading to their rejection. The self-assigned marks in the technical proposal were required as per tender notice. The matter of allocation of 30 marks to technical scrutiny was based on assessment of quality, models with their specs and features, reliability, equipment capabilities, warranty terms and compliance of the equipment as per the technical specifications demanded in the letter.

The reply is not tenable. The models quoted by M/s R&S was different as required in the tender. The self-assigned marks were not the requirement of tender documents. Submission of brochure of other vendor with technical bids by M/s Amigo and award of different marks on the same date in two forms was not justified.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC constituted a fact-finding inquiry committee comprising members from the MoDP, NRTC and TIP to examine the issue in the light of audit objection, management response and procurement Rules and submit the report thereof along with its findings & recommendations. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.176)

3.5 Value for money and service delivery issues

3.5.1 Loss due to deduction of LD charges – Rs 87.490 million

According to Clause-8(a) of the Contract Agreement No.08-772-3-0/A dated 10th June, 2020 and No.09-0788-3-0/A dated 31st May, 2021, all goods (Materials) are required to be delivered within twelve (12) months after signing of the contract. Clause-21 (1) regarding appeal against LD further states that the date of issuance of amendment letter for the purpose of determining / calculating the time frame of 6 months for appeal.

National Radio Telecommunication Corporation (NRTC) under Ministry of Defence Production, Rawalpindi, executed contract agreements with Director General Procurement (Army), Rawalpindi for procurement of ground Surveillance Radar and repeater station digital encrypted VHF/FM.

Audit observed that the Finance Department of NRTC forwarded claims to CMA (DP), Rawalpindi for release of payment against the delivered stores. CMA (DP), Rawalpindi deducted an amount of Rs 87,490,239 on account of Liquidated Damages @ 10% due to delay in supply. However, NRTC did not take up the case for waiver of LD and time extension as per contract agreements.

Audit contends that due to late delivery of stores by NRTC the client-imposed LD charges which indicates weak contract management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that due to restrictions imposed by the State Bank of Pakistan on imports under HS code with Prefix 84 & 85, non-opening of LC, design level modifications along with provision of log sanctions with delay of one year were beyond the control of NRTC. Based on stated cogent reasons, cases have been taken up with customers for waiver of LD. Pursuance is also under way for early recovery.

The reply is not tenable. NRTC did not take up the case with customers invoking force majeure clause of the contract to avoid LD charges.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC directed NRTC to take up the case with respective organizations for refund of LD charges and get it verified from audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives, besides conducting inquiry into late delivery of stores/equipment.

Note: The issue was also reported earlier in Audit Reports for Audit Years 2018-19, 2019-20, 2021-22, 2022-23 and 2023-24 vide paras No.3.5.3, 3.4.1, 3.5.1, 3.5.1 and 3.5.1 having financial impact of Rs 341.306 million. Recurrence of same irregularity is a matter of serious concern.

(DP Nos.191)

3.6 Others

3.6.1 Non-receipt of stores against advance payments - Rs 2,411.603 million

According to Regulation 7 (a) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the PAO shall be responsible to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts. Further, Clause-16 of foreign purchase orders indicated time frame for delivery of store e.g (22-24 weeks, 14-16 weeks, 6-months).

National Radio & Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, placed purchase orders upon different foreign vendors for supply of stores / equipment / other different items. Advance payments of Rs 2,411,603,477 against different purchase orders were made during FY 2023-24.

Audit observed that despite making advance payments equipment and stores were not received according to the prescribed delivery schedule of purchase orders.

Audit contends that non-receipt of stores & equipment even after making advance payments reflects weak contract and inventory management. Audit further contends that supply chain issues caused delay in supply of stores & equipment.

Audit reported the matter to the management and PAO during November, 2024. It was replied that making advance payments and receipt of stores are an ongoing process and credit / debit balances against regular suppliers exist in supplier's ledger.

The reply is not tenable. NRTC does not have any mechanism to ensure timely receipt of stores against advance payments such as bank or performance guarantees. In addition, no justification for late receipt of stores was available on record.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC directed NRTC to take up the matter with concerned vendors for delivery of stores and get it verified from Audit. The DAC further directed to ascertain the reasons for delay in receipt of stores and impose LDs where required and share the record with Audit. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives, besides review of the inventory management system to ensure timely receipt of stores.

(DP No.181)

3.6.2 Non-recovery of outstanding dues – Rs 2,155.937 million

According to Clause 5.2 and other terms and conditions of Service Level Agreement (SLA), 100% amount of contract value (including SST) will be paid to the OEM after signing of the contract. Clause-21(a) of the

contract with DGP (Army) stipulates that 100% payment of each consignment will be paid to NRTC on receipt of bills.

National Radio Telecommunication Corporation (NRTC) under the Ministry of Defence Production, Rawalpindi, entered into contracts with various local & foreign vendors for supply of stores / equipment / other different items. Service Level Agreements (SLAs) were also executed with M/s Senior Superintendent of Central Prisons & Correctional Facility, Hyderabad for operation & maintenance of CCTV System and Jamming System at Central Prison Hyderabad, Sindh.

Audit observed that NRTC did not recover an amount of Rs 2,155,936,768 as per agreed terms and conditions of the agreements despite delivery of stores and equipment during FY 2023-24 as detailed below:

S. No.	PDP No.	Contract No. & date	Delay Period	Amount (Rs in Million)
1	194-25	Different contracts	18 months	1,595.274
2	196-25	19679/82/2024	8 months	49.806
3		19679/82/2024	8 months	35.116
4		19675/78/2024	8 months	36.651
5		19675/78/2024	8 months	9.204
6		3002/4/PMB / Navy/NRTC/361	9 months	168.000
7	197-25	113/DGMP/2022-23/Army-W&E	8 months	261.886
Total				2,155.937

Audit contends that non-recovery of the outstanding dues reflect weak receivable and contract management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that outstanding receivables is an ongoing process and keeps on changing in-line with the sales secured & recorded. The payment against SLA is in process and is expected to be received in next quarter of FY 2024-25. It was further replied that non-issuance of invoices against delivered store was due to payment terms in the contracts with concerned agencies like inspection by the Board of officers, issuance of

inspection notes and consignee receipt voucher (CRVs). Upon receipt of requisite documents, due invoices will be issued.

The reply is not tenable. NRTC failed to execute the terms & conditions of the contract agreements to recover the dues despite delivery of stores & other equipment. Further, invoices were not issued timely to the clients which resulted in non-recovery.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC directed NRTC to expedite the recovery of the dues and get them verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.194, 196 & 197)

3.6.3 Non-transparent award of construction works and non-deduction of sales tax on services – Rs 10.976 million

According to Rule-12 (2) of Public Procurement Rules, 2004 (amended 2021), all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. Further, as per Para-2 (c), of the NRTC SoP for construction and renovation works, for projects exceeding Rs 3 million, tenders are published in widely circulated dailies for execution of works.

National Radio & Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi prepared estimates for construction of five (5) class rooms and one (1) staff room at 1st floor of NRTC Public School (Girls Wing). Accordingly, tenders were called by publishing notice on NRTC & PPRA websites instead of advertisement in national daily newspapers. Two bidders participated and M/s Umer Steel,

Haripur was declared as lowest. An expenditure of Rs 10,453,500 was incurred during FY 2023-24.

Audit examined the record and observed that:

- i. The tender evaluation committee accepted the bids of M/s Umer Steels, Haripur having no reference number and date.
- ii. The affidavit submitted by M/s Umer Steels, Haripur mentioned that they had no other company but the documents pertaining to release of 5% retention money submitted by M/s Mehar Electric & Steel Works referred to the purchase order issued in the name of M/s Umer Steels which indicated a false affidavit submitted by the bidder.
- iii. Though M/s Ahmad Shah Abdali construction company (Pvt) Ltd., did not submit affidavit on original stamp paper and provided a false business address during submission of the bid; yet the evaluation committee accepted his bids and awarded 100 marks which falls under the ambit of mis-procurement.
- iv. NRTC did not adhere to Para-1 (c) (ii) (iii) of its own SoP to prepare its works estimates on the basis of MES Schedule rates.
- v. Measurement books duly showing day to day measurement and final measurement sheet at the time of payment including completion certificates were not made available.
- vi. Sales tax on construction services @ 5% amounting to Rs 522,675 was also not deducted.

Audit contends that the constructions works were awarded without ensuring transparency which resulted in non-transparent award of work.

Audit reported the matter to the management and PAO during November, 2024. It was replied that as per approved SoP of C&M related works, MES schedule is consulted for mega projects. Furthermore, competition was generated amongst the contractors participated against tender and contract was awarded on lowest rates. As regards to payment made to M/s Mayer Electronics & steel, it was processed on basis of affidavit

submitted by M/s Umer steel. Sales tax on services is not applicable on construction works in KPK.

The reply is not tenable. The work was awarded in disregard to preparation of estimates on MES schedules, non-adherence to its own SoP and false information provided by the bidders. The sales tax on construction services is applicable as per second schedule of KPK Sales Tax on Services Act, 2022.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC directed NRTC to provide all relevant record and get it verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.179)

Para from Performance Audit Report for the year 2023-24

3.6.4 Non-replacement of rejected stores from the foreign supplier - Rs 33.273 million (\$ 169,426)

According to Clause 22 of the Purchase Order No. Proc: FP-8835AH/2021-Aselsan dated 15th September, 2021, the supplier shall replace the store not found in accordance with the purchase data/drawing and specs, within 8-10 weeks from the date of intimation or on return of defective store on his risk and cost.

National Radio & Telecommunication Corporation (NRTC) under the Ministry of Defence Production, Rawalpindi placed a purchase order of US\$ 767,792 on 15th September, 2021 to M/s Aselsan for procurement of parts and components.

Audit observed that the following store items were rejected due to non-conforming to the standard requirements and functionality test. Audit noticed that the rejected stores were neither returned at the risk and cost of the supplier nor replaced by the supplier:

S. No.	Description of Material	Quantity Rejected	Estimated Cost (\$)	Amount (Rs in Million)
1	VHF Digital Encrypted Tx/Rx Unit Base Station 90watt (IGR#FP00001712 Dated:23.05.2022)	91@\$1116 (63+28)	101,556	19.389
2	VHF Digital Encrypted Tx/Rx Unit Base Station 40watt (IGR#FP00001712 Dated:23.05.2022)	39@\$1074	41,886	7.997
3	Base Radio Set (IGR#FP00001977 Dated:25.07.2022)	7@\$3712	25,984	5.887
Total			169,426	33.273

Audit contends that non-replacement of the rejected stores reflects weak contract management.

Audit reported the matter to the management and PAO during September, 2024. It was replied that for successful execution of projects to reach the sales figures achieved by NRTC, large scale procurement of parts/components is involved. The amount highlighted by Audit is merely 0.216% of the material consumed in FY 2021-22, therefore, production cycle was not hampered and projects were successfully executed. It is pertinent to mention that full stores have been received & accepted. Incoming Goods Reports (IGRs) showing acceptance of stores have been provided to Audit for verification.

The reply is not tenable. The stores received were rejected on the grounds that they were not in conformance with the requirements and functionality test as per purchase order.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed NRTC management that the record relating to replacement of the rejected store be provided to audit for verification. NRTC did not provide the requisite record for verification till the finalization of this report.

Audit recommends implementation of DAC directives.

(OM-21 PAR NRTC 2023-24)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-4

TELEPHONE INDUSTRIES OF PAKISTAN (TIP)

Chapter -4

Telephone Industries of Pakistan (TIP)

(MoDP)

4.1 Introduction

A) Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 under the Companies Act, 1913 (now Companies Act, 2017). In pursuance of the Federal Cabinet’s decision, NRTC acquired TIP in December, 2021 and is currently working under the control of Ministry of Defence Production as wholly owned subsidiary of NRTC. It has its own Board of Directors chaired by M.D NRTC including representatives/ Directors from MoDP and NRTC.

TIP has redefined its objectives that include establishing, maintaining and operating an organization for the manufacturing and assembly of all kinds of electronics, electrical, security & surveillance products and communication & IT, alternate energy and mechanical equipment for commercial and defence use.

B) Comments on Budget and Accounts

4.1.1 TIP management did not provide the annual audited accounts for the FY 2023-24 till finalization of this report; however, comments are offered on the Financial Statements for the FY 2022-23 as under:

- i. As per Note 1.2 to the Financial Statements, the loss after tax, accumulated loss and net liability of TIP further increased as compared to FY 2021-22 which indicated the existence of material uncertainties about the going concern status of TIP. The detail is given as under:

(Rs in Million)			
S. No.	Description	As on 30-06-2022	As on 30-06-2023
1	Loss after tax	64.10	516.24
2	Accumulated Loss	6,404.08	7,006.19
3	Net Liability	5,442.89	6,045.00

- ii. The comparison of related party transactions under Note 41.1 of TIP and Note 38 of NRTC showed transactions of Rs 3,828.571 million of TIP against the transactions of Rs 4,787.639 million of NRTC, resulting in variation of Rs 958.468 million which requires reconciliation.

Table-I Audit Profile of TIP

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	01	01	2,102.514	92.918
2	<ul style="list-style-type: none"> • Assignment Accounts • SDAs 	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	2,102.514	92.918
4	Foreign Aided Projects (FAP)	-	-	-	-

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,873.641 million were raised in this report which include recoveries amounting to Rs 279.211 million during the current audit of TIP. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	1,594.430
A	Procurement related irregularities	1,594.430

B	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	279.211
Total		1,873.641

4.3 Status of Compliance with PAC Directives

S. No.	Audit Year	TIP		Compliance		%age
		Total Paras	Total Directives	Received	Not received	
1	1990-91	18	18	17	1	94
2	1992-93	19	19	19	0	100
3	1996-97	9	9	6	3	67
4	1997-98	4	4	4	0	100
5	2004-05	TIP was working as subsidiary of T&T/PTC and accordingly its audit was conducted. After incorporation of PTC into PTCL in 1996, its audit could not be conducted w.e.f 1998-99 to 2008-09. During 2009-10, audit of TIP was conducted from 2004-05 onward.				
6	2005-06					
7	2006-07					
8	2007-08					
9	2008-09					
10	2009-10	13	4	4	0	100
11	2010-11	27	27	23	4	85
12	2013-14	19	2	1	1	50

The above table reflects that the management has shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

4.4 Irregularities

A. Procurement related irregularities

4.4.1 Irregular procurement of machinery & equipment and non-deduction of L.D charges – Rs 1,594.431 million

According to Rule 12 (2) of PPRs 2004 (Amended 2021), all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Rule 40(1) of PPRs further states that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work or task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract. Rule 8 & 9 ibid states that 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. 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. Moreover, as per clause 14 & 16 of the agreements, in case of delay in supply of store, penalty @ 2% of the value of the consignment in default for 30 days or part thereof, subject to the maximum 10% of the amount of that consignment will be imposed.

Telephone Industries of Pakistan under the Ministry of Defence Production, Rawalpindi procured various items and incurred an expenditure of Rs 1,562,447,556 during FY 2023-24 as detailed below:

S. No	PDP No.	Description	Date of stipulated completion	Actual date of completion	Delay period	Expenditure	L.D
						(Rs in Million)	
1	3-25	Procurement of fans				116.531	0
2	5-25	Procurement of CCTV Camera	24..11.23	19.03.24	3 month & 25	8.795	0.674
3	8-25	Procurement of Inverters	19.05.23	14.06.24	13 months	32.860	3.286
4	9-25	Procurement of inverters & batteries	23.05.23	14.03.24	5 to 10 months	1,365.667	27.313
5	14-25	Procurement of circuit breakers	15.12.23	23.05.24	5 months	28.583	0.117
6	16-25	Procurement of walkie talkie set	24.01.24	17.05.24	3 month & 24 days	7.861	0.593
7	17-25	Procurement of printers			-	2.150	0
Total						1,562.447	31.983

Audit examined the record and observed that:

- i. TIP made the procurements against S.No. 1 to 4, 6 & 7 above on the basis of quotations instead of inviting open tenders.
- ii. The computer and printers at S.No. 5 above were procured in a splitting manner in order to avoid uploading of the tenders on PPRA website.
- iii. The suppliers did not deliver the stores within stipulated time but the management did not deduct L.D charges of Rs 31,983,910 from the invoices of the suppliers.

Audit contends that procurement in violation of PPRs 2004 and non-deduction of L.D charges reflected weak procurement & contract management.

Audit reported the matter to the management and PAO during October, 2024. It was replied that the procurements were made on quotation basis from renowned OEMs under rule 42(C) and registered dealers with

brands recommended by the customers. Further, the computer printers were purchased on the basis of departmental requirements. Moreover, L.D charges were not deducted due to subsequent amendments in the purchase orders.

The reply is not tenable. The procurements were made on the basis of quotations without inviting open tenders and in splitting manners in disregard to PPRs. Further, amendments in the purchase orders at belated stage with reference to delivery time and after passing of delivery date were made just to avoid LD charges.

The matter was discussed in the DAC meeting held on 24th December, 2024. The DAC showed great concern over handling procurement cases in violation of PPRs and constituted a fact-finding inquiry committee comprising members from the MoDP, NRTC and TIP to examine the issues of the subject seven PDPs and submit report thereof along with recommendations. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 03, 05, 08, 09, 14, 16 & 17)

4.5 Others

4.5.1 Non-realization of receivables against projects - Rs 279.211 million

According to Rule 2A(1)(a) of Corporate Governance Rules, 2013, the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

TIP under the Ministry of Defence Production, Rawalpindi issued invoices of Rs 386,539,522 to various customers on account of deliverables against different projects during FYs 2022-23 & 2023-24 against which an amount of Rs 107,328,444 was received as detailed below:

S. No.	Description	Amount billed	Amount received	Amount receivable	Delay Period
(Rs in Million)					
1	HSP Mianwali	66.342	0	66.342	12 months
2	AIOU Project	58.071	37.163	20.909	
3	CMU Project	23.289	21.000	2.289	
4	University of Sargodha Project	3.378	0	3.378	
5	Non recovery of five projects.	235.459	49.166	186.293	12 months
Total		386.539	107.329	279.211	

Audit observed that TIP failed to realize the receivables of Rs 279,211,078 against various projects as mentioned above.

Audit contends that non-realization of receivables reflects weak receivable management.

Audit reported the matter to the management and PAO during October, 2024. It was replied that an amount of Rs 3,378,411 was recovered against the University of Sargodha which was verified by Audit. Accordingly, the amount of Para was reduced to the extent of the outstanding amount.

The matter was discussed in DAC meeting held on 24th December, 2024. The DAC directed to reduce the amount of the Para to the extent of the recovered amount and directed the management to expedite the recovery of the remaining amount and get it verified from audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 12 & 124-24)

**MINISTRY OF INFORMATION
TECHNOLOGY &
TELECOMMUNICATION**

CHAPTER-5

**ELECTRONIC CERTIFICATION
ACCREDITATION COUNCIL (ECAC)**

Chapter 5

Electronic Certification Accreditation Council (ECAC)

(MoITT)

5.1 Introduction

A) Electronic Certification Accreditation Council (ECAC) was established under the Electronic Transactions Ordinance (ETO), 2002. Accordingly, the notification of ECAC was issued on 18th September, 2004. The Council of ECAC remained dysfunctional from 2007 and was revived by the Federal Government in April, 2015.

According to the Ordinance, the Certification Council shall comprise five members, with four members from private sector. One of the members shall be designated as the Chairman. All the matters pertaining to ECAC functions are governed by the Council. Since its revival in 2015, the Managing Director, NTC has been appointed as Chairman of the Council.

ETO provides a legal framework to recognize and facilitate documents, records, information, communications, and transactions in electronic form and provide accreditation to the certification service providers. With the development of e-commerce, regulatory laws have been made. The paper-based concept of identification, declaration and proof is carried through the use of digital signatures in an electronic environment based on Public Key Cryptography.

According to Section-20 of ETO, 2002, the funds of the Certification Council shall comprise (i) grants from the Federal Government (ii) fee for grant and renewal of accreditation certificate (iii) fee, not exceeding ten rupees for every certificate deposited in the repository and (iv) fines. Further, as per Section 21 of ETO, 2002, main functions of the Council are to:

- Grant and renew accreditation certificates to certification service providers, their cryptography services and security procedures.

- Establish and manage the repository.
- Carry out research and studies in relation to cryptography services.
- Recognize or accredit foreign certification service providers.
- Encourage uniformity of standards and practices.
- Give advice in relation to any matter covered under this ETO, 2002 etc.

B) Comments on Budget and Accounts

5.1.1 Electronic Certification Accreditation Council (ECAC) management did not prepare the annual accounts since its revival in 2015 till finalization of this Report. Hence, no comments on the accounts could be offered.

Table-I Audit Profile of ECAC

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	01	01	126.811	-
2	<ul style="list-style-type: none"> • Assignment Accounts • SDAs • ETC 	01	01	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	126.811	-
4	Foreign Aided Projects (FAP)	-	-	-	-

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 85.443 million were raised in this report during the current audit of ECAC. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations**(Rs in Million)**

S. No.	Classification	Amount (Rs)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities (A+B+C)	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	85.443
Total:		85.443

5.3 Status of Compliance with PAC Directives

ECAC				Compliance		%age
S. No.	Audit Year	Total Paras	Total Directives	Received	Not received	
1	2019-20	12	12	8	4	67

The above table reflects that the management has shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

5.4 Irregularities

A. HR/Employees related irregularities

5.4.1 Non-hiring of Registrar and Secretary ECAC

Regulation 1(2) of Electronic Certification Accreditation Council (ECAC) ESR, 2008 provides methods of appointment, qualifications and other terms and conditions of the service from Group-I to Group-VIII.

The posts of Registrar and Secretary of the Council is available in Schedule-C of the ECAC Service Regulations, 2008 under pay group of G-I. Schedule-A of the Regulations which also describes the qualifications of Registrar and Secretary of the Council. The Council in its resolution of 16th February, 2017, unanimously resolved to utilize the services of Mr. Muhammad Riaz, Corporate Secretary, NTC from the date of reconstitution of the Council till hiring of ECAC own staff.

Audit observed that ECAC failed to appoint Registrar and Secretary of ECAC despite lapse of nine (9) years from the re-constitution of ECAC till the finalization of this report. ECAC held the services of Mr. Muhammad Riaz, Corporate Secretary, NTC as Secretary of ECAC and left the post of Registrar vacant without plausible reasons. The decision of the Council neither specified the nature of charge of the Secretary nor obtained approval of the Federal Government. Further, the incumbent Secretary, ECAC did not have the requisite experience and qualifications as required under Schedule-A of ECAC ESR Regulations, 2008. The incumbent also availed transport facility and received fringe benefits from ECAC.

Audit contends that non-filling of posts of Registrar and Secretary after lapse of considerable time affects the operations of ECAC, besides reflecting weak internal controls.

Audit reported the matter to the management and PAO during August, 2024. It was replied that hectic efforts were made to fulfil the vacant posts. The recruitment process is under way.

The reply is not tenable. Audit did not find any evidence of hiring the services of Registrar and Secretary of ECAC on record.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed ECAC to finalize the recruitment process immediately and get it verified from audit. The DAC further directed to place the matter before the Council for clarity about the period and charge given to the Corporate Secretary NTC from 16th February, 2017. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the MfDAC Report for Audit Year 2023-24 vide Para Number 97-2024. Recurrence of same irregularity is a matter of serious concern.

(DP No. 33)

5.5 Others

5.5.1 Irregular expenditure on operation & maintenance services - Rs 85.443 million

According to Regulation 7 (a) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the PAO shall be responsible to adhere and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts. Further, Rule 21 of PPRs 2004 states that the procuring agencies shall use open competitive bidding if the cost of the object to be procured is more than five hundred thousand rupees.

Electronic Certification Accreditation Council (ECAC) in its 79th meeting held on 11th May, 2023 approved the financial proposal of Data Center utilization for the Root CA (offline). As per budget & expenditure statement, ECAC made payment of Rs 85,443,143 against NTC invoice of Rs 194,383,032 received on 16th May, 2024 on account of operation and maintenance (O&M) service charges of PKI for FY 2023-24.

Audit observed that the main function of ECAC was to grant and renew accreditation certificates to certification service providers (CSP) but the Council allowed NTC in its 88th meeting held on 6th June, 2024 to continue the operational rights of issuing CA. Audit also noticed that ECAC hired O&M services and Data Center facility of NTC without inviting open tenders and paid O&M charges of Rs 194,383,032 to NTC despite the fact that the project was not fully operational.

Audit contends that ECAC allowed unauthorized operations of issuing CA to NTC in violation of ETO, 2002. Audit further finds that hiring of O&M and Data Center services from NTC in violation of PPRs reflects weakness of the procurement and contract management.

Audit reported the matter to the management and PAO during August, 2024. It was replied that NTC is the only official ICT service provider for Government of Pakistan which has Tier-III compliant & ISO 27001 certified Data Center. NTC also fulfils the stringent requirements of ECAC's National PKI as per Global standards.

The reply is not tenable. ECAC allowed unauthorized right of operation of PKI and issuing CA to NTC in violation of ETO, 2002. The Council had no authority to override the provisions of the Ordinance and change the functions of the ECAC. Further, Rule 42 (f) (ii) & (iv) of PPRs, state that state owned entity being executing agency cannot outsource the work or services to private sector or in the form of joint venture.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed ECAC to get the following record / actions verified from audit:

- i. Implementation of decision of the Council taken in 87th meeting.
- ii. All record pertaining to internal policies and Web Trust / CAB forum requirements.
- iii. Documents pertaining to operation of the project.
- iv. Record pertaining to PKI issuing CA roles and assets transferred from NTC to ECAC.

No record was provided for verification till finalization of this report.

Audit recommends fact finding inquiry, besides implementation of DAC directives.

(DP No. 26)

**MINISTRY OF INFORMATION
TECHNOLOGY &
TELECOMMUNICATION**

CHAPTER-6

IGNITE NATIONAL TECHNOLOGY FUND

Chapter 6

Ignite National Technology Fund

(MoITT)

6.1 Introduction

A) The Federal Government of Pakistan established a Fund called the Research and Development Fund under Sub-Section (1) of Section 33 C of Pakistan Telecommunication (Re-organization) Amended Act, 2006. The Research and Development (R&D) Fund shall be under the control of the Federal Government and the balance to the credit of the R&D Fund shall not lapse at the end of the financial year. The Research and Development Fund consists of:

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

However, at present the Fund is entirely financed by the contributions from the licensees.

The Fund shall be utilized exclusively for the prescribed Research and Development activities in the field related to Information and Communication Technology and other expenditure incurred by the Federal Government in managing the Fund.

Federal Government in pursuance of Sub-Section (2) of Section 57 of Pakistan Telecommunication (Re-organization) (Amended) Act, 2006 approved the Research and Development Fund Rules, 2006 on 30th September, 2006. In terms of Rule (4) *ibid*, MoITT established Ignite National Technology Fund Company - a non-profit Company Limited by guarantee for implementation of research and development projects in the information and communication technology sector. The Company is managed by a Board of Directors Chaired by the Secretary MoITT as its Chairperson to run the affairs of the Company.

B) Comments on budget and Accounts

- 6.1.1 The Ignite Company manages ten (10) National Incubation Centers (NICs) across the big cities of Pakistan. As per Note 8.2 to the Financial Statement for FY 2023-24, the Ignite Company recognized the Right of Use Assets amounting to Rs 798.797 million against two NICs at Peshawar, Islamabad and Ignite main office building at Islamabad. Ignite Company did not recognize any Right of Use Asset against the remaining eight NICs which showed inconsistent accounting policy.
- 6.1.2 As per Note 15.3 of Financial Statements, liability for Gratuity Fund was Rs 150.609 million; however, the actual balance as on 30th June, 2024 was Rs 72.251 million which indicates that the Company was required to contribute the short fall of Rs 78.358 million to the Gratuity Fund to cover the deficit.

Table-I Audit Profile of IGNITE

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	01	01	3,216.742	9,352.449
2	<ul style="list-style-type: none">• Assignment Accounts• SDAs	01	01	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	3,216.742	9,352.449
4	Foreign Aided Projects (FAP)	-	-	-	-

6.2 Classified Summary of Audit Observations

Audit observations relating to recovery of Rs 9,205.568 million were raised in this report during the current audit of IGNITE. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S.No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A.	HR related irregularities	-
B.	Procurement related irregularities	-
4	Value for money and service delivery issues	-
5	Others	9,205.568
Total		9,205.568

6.3 Status of Compliance with PAC Directives

S. No.	Audit Year	IGNITE		Compliance		%age
		Total Paras	Total Directives	Received	Not Received	
1	2011-12	44	44	2	42	5
2	2012-13	21	21	3	18	14
3	2013-14	No audit para was printed in Audit Report				
4	2014-15	15	15	3	12	20
5	2015-16	15	15	6	9	40
6	2016-17	9	9	3	6	33
7	PAR 2016-17	26	26	11	15	42
8	2017-18	8	8	6	2	75
9	2018-19	6	3	3	0	100
10	2019-20	9	9	6	3	67

The above table reflects that the management has not shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

6.4 Others

6.4.1 Irregular transfer of R&D Funds to Finance Division - Rs 9,152 million

According to Rule 3 (8) of R&D Fund Rules, 2006, the money in R&D Fund account shall not be used for any other purpose except as provided in the Act. As per Section 33 D (2) of Pakistan Telecommunication (Re-organization) Act, 1996, the Fund shall be utilized exclusively for prescribed research and development activities in the field related to Information and Communication Technology (ICT) and other expenditure incurred by the Federal Government in managing Research and Development Fund.

Ignite National Technology Fund Management under the MoITT, Islamabad transferred an amount of Rs 9,152 million (Rs 4,152 million & Rs 5,000 million) from R & D Fund to Finance Division for clearance of circular debts and one-time bridge financing during the years 2013 and 2023 respectively.

Audit observed that:

- i. In the year 2013, the Federal Government transferred funds of Rs 4,152 million from R&D Fund into FCF to pay off circular debts which was not recouped by the Federal Government till date.
- ii. An amount of Rs 5,000 million was transferred to Finance Division in December, 2023 in the light of resolution passed in 40th meeting of R&D Fund Policy Committee held on 8th November, 2023. It was resolved by the Committee that the funds will be recouped by the Finance Division in the last quarter of the FY 2023-24 but till date the funds were neither recovered/recouped nor deposited into R&D Fund maintained at MoITT.

Audit contends that funds of the Company received from telecom operators for R&D purpose were transferred to Finance Division in violation of the Act and R&D Fund rules. The fund was exclusively meant for prescribed research and development activities in the fields of ICT related services and could only be disbursed for the purpose through Ignite National Technology Fund Company. Transfer of the funds from the Ignite Fund account to the Federal Government not only affected the Ignite Company R&D activities in the field of ICT but also endangered the financial liquidity of the Company.

Audit reported the matter to the management and PAO during October, 2024. It was replied that funds were transferred to Finance Division as per decision of the Federal Cabinet and recommendations of Policy Committee. Audit will be informed as the funds are transferred back to R&D fund.

The reply is not tenable. The funds were transferred on the recommendations of Policy Committee in violation of R&D Fund Rules, 2006 and PTR, 2006.

The matter was discussed in DAC meeting held on 12th December, 2024. The DAC directed the management to recover the transferred amount and get it verified from audit.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2014-15 vide Para Number 4.5 having financial impact of Rs 6,760.742 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 81)

6.4.2 Non-recovery of outstanding dues of R&D Contributions - Rs 53.568 million

According to Clause 4.1 of Long Distance International (LDI) License issued under Section 21 of the Pakistan Telecommunication (Re-

organization) Act, 1996, the Licensee shall contribute to the R & D Fund, an amount calculated on the basis of 0.5% of the Licensee's gross revenue from Licensed Services for the most recently completed financial year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. Further, Clause 4.4.1 stipulates that the licensee shall make this contribution within 120 days at the end of financial year.

Pakistan Telecommunication Authority issued invoices to fourteen (14) telecom operators for R&D contributions during FY 2023-24 which were required to be deposited within 120-days.

Audit observed that the management of R&D Fund failed to recover the outstanding R&D contributions amounting to Rs 53,567,675 from the telecom operators despite closure of the FY 2023-24. Audit also noticed that the R&D Fund management failed to carry-out regular reconciliations of R&D contributions with PTA.

Audit contends that non-recovery of R&D contributions indicates weak receivable management.

Audit reported the matter to the management and PAO during September, 2024. It was replied that the Ministry had issued a letter to the Authority to expedite the recovery process. An amount of Rs 11.196 million has been recovered, leaving balance of Rs 42.372 million.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed the management to verify the recovered amount from audit. Efforts be made to recover the outstanding amount. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directive.

(DP No.80)

**MINISTRY OF INFORMATION
TECHNOLOGY &
TELECOMMUNICATION**

CHAPTER-7

**NATIONAL TELECOMMUNICATION
CORPORATION (NTC)**

Chapter 7

National Telecommunication Corporation (NTC) (MoITT)

7.1 Introduction

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

NTC prepares its budget and submits it for approval of the Federal Government before 1st of June every year. Any surplus over receipts in a financial year is remitted to the Federal Consolidated Fund and any deficit from actual expenditure is made up by the Federal Government. The accounts of NTC are maintained in a form and format as approved by the Auditor-General of Pakistan. In addition to the audit by the Auditor-General of Pakistan, its accounts are also audited by external auditors.

NTC's main function is to provide telecommunication services to its designated customers which include the Federal and Provincial Governments, defence services and other government agencies and institutions as the Federal Government may determine.

B) Comments on Budget and Accounts

7.1.1 NTC management could not finalize its Financial Statements for the FYs 2021-22, 2022-23 & 2023-24 till the finalization of this Audit Report. Therefore, comments on accounts could not be offered. However, this office received the approved Financial Statements for FY 2020-21 and offered its comments as below:

7.1.2 A comparison of Financial Statements of NTC for the FY 2019-20 and corresponding figures of the same year in the Financial Statements of FY 2020-21 revealed a material variation as presented in the table below. However, reasons for variations were not disclosed in the Financial Statements of FY 2020-21.

(Rs in Million)

S. No.	Description	Figures in FS 2019-20	Figures of FS 2019-20 in FS 2020-21	Variation
1	Non-current Assets	5,776.697	5,486.338	290.359
2	Current Assets	7,152.623	7,367.683	215.060
3	Non-current liabilities	2702.124	3358.975	656.851
4	Current liabilities	2053.862	2003.355	50.506
5	Revenue	4,002.727	4,341.117	338.390
6	Operating cost	4,560.480	4,187.223	373.257
7	Operating profit/ (loss)	(557.753)	153.894	711.648
8	Other income	344.087	358.132	14.045
9	Bank charges	7.755	8.255	0.500
10	Profit / (loss)	(292.193)	364.658	364.658

Table-I Audit Profile of NTC

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	15	08	5,882.950	6,030.490
2	<ul style="list-style-type: none"> • Assignment Accounts • SDAs 	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	15	08	5,882.9500	6,030.490
4	Foreign Aided Projects (FAP)	-	-	-	-

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 12,731.601 million were raised in this report during the current audit of NTC. This amount also includes recoveries of Rs 923.537 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities (A+B)	418.866
A	HR/Employees related irregularities	31.000
B	Procurement related irregularities	376.086
4	Value for money and service delivery issues	-
5	Others	12,324.515
Total:		12,731.601

7.3 Status of Compliance with PAC Directives

S. No.	NTC			Compliance		%age
	Audit Year	Total Paras	Total Directives	Received	Not Received	
1	1996-97	16	3	3	0	100
2	1997-98	11	11	11	0	100
3	1999-00	15	15	15	0	100
4	2000-01	17	17	17	0	100
5	2001-02	16	16	12	4	75
6	2004-05	16	16	16	0	100
7	SAR 2005-06	31	31	0	31	0
8	2005-06	15	15	15	0	100
9	2006-07	17	17	14	3	83
10	2007-08	18	18	9	9	50
11	2008-09	22	22	21	1	95

12	2009-10	18	18	12	6	67
13	2010-11	30	30	27	3	90
14	2011-12	98	98	19	79	19
15	2012-13	95	95	39	56	41
16	2013-14	40	40	5	35	13
17	2014-15	36	36	3	33	8
18	2015-16	18	18	2	16	11
19	2016-17	18	18	9	9	50
20	2017-18	23	23	15	8	65
21	2018-19	23	10	10	0	100
22	2019-20	19	19	3	16	16

The above table reflects that the management has not shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

7.4 Irregularities

A. HR/Employees related irregularities

7.4.1 Irregular appointments of technical staff - Rs 31.00 million

According to Section 41 (17) of Pakistan Telecommunication Re-Organization Act, 1996 amended upto 2014, National Telecommunication Corporation may, with the approval of the Federal Government, by notification in the official Gazette, make regulations for the management and operation of its business and activities. Further, Establishment Division's O.M No.4/1/93-R-I dated 25th September, 2014 and OM No.F.53/1/2008-SP dated 22nd October, 2014 regarding recruitment policy stipulate that the Ministries/ Divisions/Attached Departments/Sub-ordinate Offices/ Autonomous/ Bodies/ Semi-Autonomous bodies/Corporations/ Authorities etc. are required to follow the recruitment policy. Recruitment to posts in BPS-16 and above shall continue to be made through the Federal Public Service Commission as hitherto fore and Regional/Provincial quotas will be observed.

National Telecommunication Corporation under the MoITT, Islamabad initiated the recruitment process for appointment of Fourteen (14) Assistant Divisional Engineers (ADEs) of Group-VII and Twenty (25) Engineering Supervisors (ES) of Group-IV and published an advertisement in the newspapers on 1st November, 2022. The NTC management appointed the staff and incurred an expenditure of Rs 31,000,000 (14 x 110,000 x 10 & 26 x 60,000 x 10) on the pay and allowances of these officials during FY 2023-24.

Audit examined the recruitment record and observed that:

- i. NTC made in-house appointments of the ADEs (BPS-17) instead of FPSC in violation of the Establishment Division.

- ii. The Departmental Selection Committee (DSC) did not observe the percentage allocation of marks for test and interview and awarded 40% marks to test instead of 70% and 60% marks to interview instead of 30%. Similarly, the DSC allocated 50% marks to the Chairman DSC instead of 40% and 20% to each member of the DSC instead of 30% in disregard to the prescribed criteria. Moreover, 10% exclusive marks were allocated for the interview by M.D.
- iii. The NTC management did not follow the criteria/instructions for maintaining regional quota.
- iv. As per instruction of the Establishment Division, the candidates securing 50% marks would be called for interview but the NTC management, in contravention to these instructions, reduced the percentage and the candidates securing 35% in the written test were called for interviews.

Audit contends that NTC made irregular appointments due to weak internal controls, undermining the merit, eligibility and regional quota.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the recruitment mechanism issued vide letter dated 16th January, 2015 was not applicable to the Corporation. The recruitment has been made in line with policy guidelines issued with the approval of NTC Management Board in its 73rd meeting held on 10th February, 2011 and MoITT letter dated 10th August, 2021.

The reply is not tenable as NTC being corporate body is not exempted from the instructions issued by the Establishment Division for recruitment and their inclusion in the service regulations.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC directed the management that the matter be referred to the Establishment Division for clarification regarding application of Recruitment Policy 22nd October, 2014 and letter dated 16th January, 2015 issued by the

Establishment Division for Autonomous Bodies and Corporations. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives, besides inquiry into the matter and fixation of responsibility on the person(s) at fault.

(DP No.121)

B. Procurement related irregularities

7.4.2 Irregular procurement of refurbished Long-Haul spares - Rs 126.774 million

According to the Public Procurement Rule-8, 2004 within one year of commencement of these rules, all procuring agencies shall devise a mechanism for planning in detail for all the 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. As per Clause 6(iv)(f) of the bid document, the bidders were required to furnish certificate of authorization from the OEM. Further, according to Clause-1 of Section II of the bidding document, the successfully evaluated bidder shall furnish to the NTC a performance security equivalent to 10% of the contract price/purchase order in the shape of bank guarantee valid for 15 months after issuance of purchase order. The bank guarantee of performance security shall be further extended if the delivery is delayed. Furthermore, on issuance of acceptance certificate, the contractor shall extend the bank guarantee to cover the warranty period.

National Telecommunication Corporation under the MoITT Islamabad procured refurbished Long-Haul spares for an amount of Rs 126,774,401 as detailed below:

S. No.	Name of Contractor	Amount (Rs in Million)
1	M/s Mahasa Pakistan	110.979
2	M/s Synchron	15.795
Total		126.774

Audit noticed the following discrepancies:

- i. On refusal of M/s Huawei OEM, NTC procured re-furbished network equipment of M/s Huawei from local market for which there was no provision in PPRs.
- ii. M/s Mahasa Pakistan and Synchcom Pvt. Ltd were under obligation to provide performance bank guarantees of Rs 12,677,440 as required under Clause-3 of the bidding document but NTC management changed the Clause after opening of the bids and allowed the suppliers to provide insurance guarantees instead of performance bank guarantees.
- iii. Although NTC procured refurbished long-haul spares, yet the condition for provision of authorization certificate from OEM was included in the bidding documents under the Clause 6(iv)(f).
- iv. Two RFTs for evaluation of bids were issued without recording the reasons thereof.
- v. The spares of Rs 2,000,000 rejected by the regional offices in their inspection reports were also not replaced by the suppliers.

Audit contends that the discrepancies in procurement of the Long-Haul Spares show weak procurement and contract management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the procurement of refurbished spares was an interim measure required due to the expiration of the 10-year SLA. Further, the NTC accepted the request of qualified bidders for provisioning of Insurance Guarantee instead of Bank Guarantee. Clause 2 regarding provisioning of OEM Authorization certification was a typographical error. The cards rejected by field offices in testing reports were returned for replacement and payment of only accepted cards were processed.

The reply is not tenable. There was no provision in the PPRs for procurement of refurbished spares. Further, no evidence of replacement of rejected store or any amount withheld in lieu thereof was provided.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC referred the Para to PAC for decision on the change of bank guarantees into insurance guarantees and procurement of refurbished spares. For replacement of faulty spares by vendors and allied issues the DAC directed the NTC management to get the record relating to its stance verified from audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 115, 128 & 205)

7.4.3 Irregular procurement of NG Firewall Hardware - Rs 86.963 million

According to Rule 4 of Public Procurement Rules, 2004, the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, the PPRA vide its letter F.No.1(5)/M&E/PPRA/2018/61 dated 15th February, 2021 clarified that if there is no available most advantageous bidder other than the second one, who should be substituted as the most advantageous bidder, after forfeiting the securities of the escapee(s), if any unless (i) The prices of 2nd most advantageous bidder are abnormally deviating from the allocated budget or market prices and procuring agency, after making an analysis of all other related aspects, is of the view that the object of procurement may not bring value for money (ii) There are some indications of collusive practices between the bidders. (iii) There are some other irregularities in procurement process towards mis-procurement.

National Telecommunication Corporation under the MoITT Islamabad floated a tender for supply, installation, testing and commissioning of various IT related Hardware and Software solutions and opened the bid on 16th August, 2023. Three bidders, namely M/s Khazana Enterprise Pvt. Ltd, Pronet Pvt. Ltd and Inbox Pvt. Ltd quoted prices in Section 2.1-Network and Security of the Request for Tender (RFT) as detailed below:

Sec	Particulars	Bidders quoted prices		
		M/s Khazana	M/s Pronet	M/s Inbox
2.1	NG Firewall H/W with 30 Gbps IPv4/IPv6 throughput alongwith License / Support by OEM (5 years) and Training	164,820,988	205,252,132	324,371,674
	Financial Score	Lowest	2 nd Lowest	Highest
	Status of Bids	Rejected	Accepted	Rejected

Audit examined the tender documents and observed that:

- i M/s Khazana Enterprise Limited (KEL) quoted the lowest bid of Rs 164,820,988, however, the supplier vide email dated 18th August, 2023 intimated that their bid had an arithmetical error. Audit noticed that the bid of M/s Khazana did not have any arithmetical error but the contractor increased the bid price to Rs 279,881,578.
- ii The Committee recommended to reject the bid of M/s Khazana Enterprise with forfeiture of proportionate amount of their bid security and accepted the 2nd lowest bid of M/s Pronet Pvt. Ltd, for an amount of Rs 205,252,132 which was Rs 40,431,144 higher (25% higher) than the bid of M/s Khazana Enterprise
- iii NTC did not conduct value for money analysis and indications of collusive practices between the bidders as required under PPRs.
- iii NTC failed to forfeit the bid security of M/s Khazana amounting to Rs 3,310,256 subsequently, against which M/s Khazana went into litigation against NTC.

Audit contends that the bid of M/s Pronet Pvt. Ltd was materially higher (25%) than the bid of M/s Khazana which reflects that NTC failed to ensure economy and competitive rates.

Audit reported the matter to the management and PAO during November, 2024. It was replied that on the basis of M/s Khazana email and PPRA rules, NTC Technical Evaluation Committee did not accept the M/s Khazana's bid being change of bid substance, recommended to forfeit

their proportionate bid security and awarded the work to M/s Pronet being the second lowest bidder. Since the rates of M/s Pronet were less than the 3rd bidder, therefore, analysis of market prices was not required.

The reply is not tenable. NTC awarded the contract to the 2nd lowest bidder without fulfilling the conditions of price reasonability through market analysis and indications of collusive practices among the bidders as required under PPRA clarification dated 15th February, 2021. Audit confirmed from the available record that neither there was arithmetical error in the bid of M/s Khazana Enterprise nor their bid security was forfeited.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC directed that the matter be referred to PPRA for clarification as to whether the tender to the 2nd Lowest bidder was validly awarded. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.109)

7.4.4 Irregular contract execution and payment to SLB - Rs 76.374 million

According to the Section-41(3) of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006, the Authority shall grant a licence to NTC for provision of telecom services within Pakistan on a non-exclusive basis only to the armed forces, defense projects, Federal Government, Provincial Governments or such other Governmental agencies or Governmental institutions as the Federal Government may determine. According to Section 15(3)(a) of the State-Owned Enterprises Act, 2023, the Chief Executive Officer (the Managing Director in case of NTC) shall be responsible for the management of the state-owned enterprise and for its procedures in financial and other matters under the delegation from the Board and subject to the oversight and direction of the Board.

National Telecommunication Corporation under the MoITT Islamabad, entered into an agreement with M/s Schlumberger Seaco Inc. (SLB), Pakistan Branch, on 28th October, 2021 to enable Exploration & Production (E&P) access to the SLB solutions using NTC Data Center as-a-Service (DCaaS). NTC was responsible to provide access of its Data Center as-a-Service (DCaaS) to SLB to host its solution for the E&P companies.

Audit noticed the following shortcomings:

- i. NTC was not allowed to provide DCaaS services to private entities.
- ii. The matter involved the confidentiality of sensitive information of government departments. NTC executed Non-Disclosure Agreement with SLB on 4th February, 2021 without approval of NTC Management Board being policy matter.
- iii. NTC executed agreement with SLB for provision of DCaaS on 28th October, 2021 but did not recover DCaaS charges from SLB for the period from 28th October, 2021 to 30th June, 2024.
- iv. NTC further executed a contract agreement with OGDCL for provision of SLB software solution through NTC DCaaS on 19th January, 2024.
- v. Chief Engineer NTC sanctioned the unauthorized payment of Rs 76,374,288 to SLB without having powers of MD NTC as the charge of the post was not assigned to him.
- vi. NTC was exempted from tax but OGDCL deducted income tax of Rs 9,636,974 @ 9% from NTC, representing a loss of Rs 9,636,974 to NTC.

Audit contends that provision of DCaaS to unauthorized customers without the notice of NTC Management Board and execution of agreements without safeguarding the public interest are beyond the statutory mandate of NTC but also undermines the confidentiality of official information and increases the risk of revenue pilferage.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the agreement with SLB was executed

under Clause 15 of the Telecom Policy and approval of the M.D NTC, therefore, it did not require approval from the management board. Due to late installation of proprietary software and restriction on import of hardware from government side, NTC charged SLB for DCaaS w.e.f. 5th May, 2023 and the same was deducted from SLB's quarterly invoices.

The reply is not tenable. NTC was not allowed to provide its services (DCaaS) to M/s SLB being a private company. The matter being sensitive in nature was not brought into the notice of the NTC Management Board before signing the confidentiality agreement with SLB. NTC also began to charge SLB for DCaaS after a lapse of two years.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC directed the management to get the record relating to MoU with SLB, hardware installation by SLB in May, 2023, adjustment of tax deducted by OGDCL in annual tax return, recovery of all outstanding dues from SLB and payment sanction/authorization by Chief Engineer to SLB verified from audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives, besides inquiry into the matter and fixation of responsibility on the person(s) at fault.
(DP No.130)

7.4.5 Irregular procurement of media services and synchronize controller - Rs 59.292 million

According to Rule 12 (2) of PPRs 2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Rule 12 (3) *ibid* further stipulates that in cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.

National Telecommunication Corporation under the MoITT Islamabad executed contract agreements with different telecom services providers and suppliers for provision of internet connectivity and Sync Controller as under:

S. No.	PDP No.	Vendor	Amount (Rs in Million)
1	201-2025	M/s CMPAK Ltd	45.360
2	235-2025	M/s Kaim Khani and Real Solution	8.511
3	214-2025	M/s Nayatel and Real Solution	4.819
4	120-2025	M/s Pyramid Automation	0.602
Total			59.292

Audit observed that the tenders were neither uploaded on the PPRA website nor were advertised in two national daily newspapers in violation of procurement rules.

Audit contends that non-adherence to procurement rules reflects weak procurement management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that M/s CMPak Ltd Islamabad provided wireless connectivity of CIR for Punjab Model Bazaar Management Company at reduced rates. For procurement at S.No. 2, NTC signed agreement with M/s Kaim Khani & Brothers after completing the tendering procedure. For procurement at S.No.3, the service agreement was signed with M/s Nayatel in accordance with Telecom Policy 2015 under Public Private Partnership which did not fall under Public Procurement Rules. For procurement at S.No. 4, extension was granted to M/s Real Solution w.e.f. 22nd June, 2023 to 21st August, 2023 and a new contract was signed w.e.f September 1, 2023 after open tendering.

The reply is not tenable. The services were procured without inviting open tenders. The reply for procurement at S.No.3, is not correct as audit did not find any documentary evidence of carrying out the project through public private partnership.

The matter was discussed in the DAC meeting held on 13th December, 2024. The Chair discussed only twenty-six (26) Paras and concluded the

meeting due to paucity of time and pended the remaining forty-three (43) PDPs for further meeting. Directorate General Audit, P&TS, Lahore took up the matter for holding of DAC meeting on the remaining PDPs but no meeting could be convened till finalization of this report.

Audit recommends that the matter be inquired to fix responsibility against the person(s) at fault, besides discontinuation of the practice henceforth.

(DP Nos. 120, 201, 214 & 235)

7.4.6 Unjustified award of work for laying of OFC and UG cable – Rs 26.682 million

According to the decision of Appellate Committee of PPRA dated 30th May, 2023 in an appeal filed on 7th April, 2023 by M/s Akhunzada Associates and Amir Nawaz & Brothers against the decision of Grievances Redressal Committee (GRC) of NTC regarding disqualification in tender for project, Laying of Optical Fibre and UG Copper Cable network through-out Pakistan, “present appeal is hereby validated and ruling issued by the GRC is hereby revoked”.

National Telecommunication Corporation under the MoITT Islamabad awarded the work for the project “Laying of Optical Fibre Cable (OFC) and UG Copper Cable network through Pakistan” to M/s Kaim Khani and Brothers on 11th April, 2023 for Rs 26,682,000. An amount of Rs 11,579,041 was paid to the contractor during FY 2023-24. The bidders, M/s Akhunzada Associates and Amir Nawaz & Brothers appealed to the Appellate Committee of PPRA against the decision of Grievances Redressal Committee (GRC) of NTC regarding disqualification in the tender. PPRA’s Appellate Committee accepted the appeal of the appellants, issued notices to all concerned on 30th May, 2023 and revoked the decision of the GRC NTC. The detail is as under:

S. No.	Item No.	Name of Unit	Total Value	Amount Paid
			(Rs in Million)	
1	2	Dir (Dev) NTC, Islamabad	1.015	0.831
2	3	Dir (Dev) NTC, Karachi	25.667	10.748
Total			26.682	11.579

Audit observed that the works were awarded to M/s Kaim Khani and Brothers and a contract was executed on 11th April, 2023 before the arrival of decision of the PPRA Appellate Committee.

Audit contends that the award of contract before the arrival of decision of PPRA reflects weak procurement and contract management.

Audit reported the matter to the management and PAO during November, 2024. The Director (Dev) NTC, Islamabad replied that the work order was issued on 25th August, 2023 in accordance with framework agreement of 11th April, 2023 and his office did not receive any instructions from NTC HQs regarding cancellation of framework agreement with M/s Kaim Khani & Brothers.

The management admits the audit contention that the works were awarded in violation of decision of PPRA Appellate Committee.

The matter was discussed in the DAC meeting held on 13th December, 2024. The Chair discussed only twenty-six (26) Paras and concluded the meeting due to paucity of time and pended the remaining forty-three (43) PDPs for further meeting. Directorate General Audit, P&TS, Lahore took up the matter for holding of DAC meeting on the remaining PDPs but no meeting could be convened till finalization of this report.

Audit recommends inquiry into the matter and fixation of responsibility on the person(s) at fault.

(DP No.245)

7.5 Others

7.5.1 Unauthorized expenditure without approved budget - Rs 6,030.497 million

According to the Section 41(7) of the Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006, the National Telecommunication Corporation shall, in respect of each financial year, prepare its own budget and submit it for the approval of the Federal Government before the 1st June

every year. Further, Section 9(2) of the Public Finance Management Act, 2019 requires that for each Principal Accounting Officer, the medium-term performance-based budget may include policy and goals, past and future expenditure, outputs and outcomes and related performance indicators and targets.

National Telecommunication Corporation under the MoITT, Islamabad submitted its revised budget estimates for FY 2022-23 and budget estimates for FY 2023-24 amounting to Rs 6,030.497 million for consideration of its Management Board. An expenditure of Rs 5,882.942 million was incurred during FY 2023-24.

Audit observed that the NTC budget was neither prepared on medium-term performance-based format nor was it approved by the Federal Government despite closure of the financial year.

Audit contends that non-preparation of performance-based budget and incurrence of unauthorized expenditure without approval of the budget from the Federal Government reflects weak financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the NTC prepared its budget estimates, got them approved from the NTC Management Board in its meeting held on 19th February, 2024 and forwarded to MoITT on 18th March, 2024 for approval by the Federal Government. The same will be intimated when approved.

The reply is not tenable as incurrence of expenditure without approved budget was unauthorized.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC directed that the matter may be taken up at Ministry Level to resolve the issue and its outcome be shared with audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.122)

7.5.2 Un-justified parking of funds against various heads of budget - Rs 2,948.515 million

According to Regulation 7(1)(b) of Powers of Principal Accounting Officer (PAO), 2021, the PAO shall be responsible for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with relevant policies, rules and regulations, for achieving the stated objectives of his Ministry, Division, Department or offices, program, project and services.

NTC under the MoITT, Islamabad parked an amount of Rs 2,948.485 million in its ADP for FYs 2022-23 & 2023-24 under various heads of accounts as detailed in **Annex-V**.

Audit analysed the annual budget statements and observed that the funds were parked without utilizing the fund allocation.

Audit contends that the funds were parked just to avoid the deposit of surplus income of NTC to FCF.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the funds could not be utilized due to non-approval of certain building projects, non-obtaining of NOC for ROWs from respective departments, non-completion of projects by contractors and roll over of 17 new projects to next ADP. Further, some funds allocated for unforeseen activities and funds of certain projects could not be used due to the decision of the NTC management board in its 109th meeting that “PC-1s endorsed by MD, NTC as Chairman NTC Management Board shall be sent to MoITT Development Wing before submission to NTC Management Board for its consideration”. The decision of MoITT on said Projects is still awaited.

The reply is not tenable. NTC kept huge lump sum funds without any justification/project details.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC directed the NTC Management to get the record of utilization

of funds against the ADPs of last five years verified from audit. NTC management did not furnish requisite record for verification from audit till the finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the MfDAC Report for Audit Year 2022-23 vide PDP No 2123 & 212-23 having financial impact of Rs 59.649 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.123)

7.5.3 Non-fulfilment of contractual obligation and incomplete record of revenues of Data Center - Rs 2,385.520 million

According to Clause-2.1 of the agreement, NTC desires outsource its billing operations on rental basis which includes CDRs mediation, rating, invoicing, billing, interconnect settlement and reporting on Billing Solution provided by as proprietary/reseller. The above solution is required for telephone, broadband internet and interconnect services. In addition, aforementioned rental services are also required for services like Data Center, Intranet and allied services.

National Telecommunication Corporation under the MoITT, Islamabad executed a contract with M/s CRPL Pvt. Ltd on 29th December, 2023 for development and deployment of solution for billing and management of the complete revenue system. NTC generated a total revenue of Rs 6,297,883,079 during FY 2023-24 as under:

S.No.	Revenue Major Heads	Amount (Rs in Million)	%age
1	Revenue from Telephony, Interconnect and other sources	3,912.363	62%
2	Revenue from services of Data Center	2,385.520	38%
Total		6,297.883	100%

Audit observed that:

- i. M/s CRPL was required to complete the automation of complete billing system within 6 weeks from the date of signing the contract on 29th December, 2023. However, the vendor did not complete the deliverable despite lapse of one year. NTC made payment of Rs 13,240,000 to the vendor during the FY 2023-24 against monthly bills despite failure to fulfill the contractual obligation.
- ii. NTC was recording the revenues of Data Center manually. To evaluate the completeness and accuracy of NTC manual billing system, a list of receivables of NTC for the FY 2023-24 was obtained which showed an advance receipt from Pakistan Bureau of Statistics (PBS), whereas the contract file of PBS revealed that there was a receivable of Rs 377,202,227 against them. Misstatement in revenue record raised question on the authenticity of manual record of revenue.

Audit reported the matter to the management and PAO during November, 2024. It was replied that as per implementation plan to facilitate a smooth transition a parallel run is being carried out by Revenue HQ team in collaboration with the Data /OCS and billing system teams. NTC is optimistic to fully integrate all telecom services into the system within the FY 2024-25.

The reply is not tenable. M/s CRPL failed to complete the required to complete the automation task within the deliverable period of six (06) weeks.

The matter was discussed in the DAC meeting held on 13th December, 2024. The Chair discussed only twenty-six (26) Paras and concluded the meeting due to paucity of time and pended the remaining forty-three (43) PDPs for further meeting. Directorate General Audit, P&TS, Lahore took up the matter for holding of DAC meeting on the remaining PDPs but no meeting could be convened till finalization of this report.

Audit recommends inquiry into the matter and fixation of responsibility on the person(s) at fault.

(DP No.137)

7.5.4 Non-recovery of telecom dues, rent and service charges - Rs 923.537 million

According to Rule 8 and 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. No amount due to government should be left outstanding without sufficient reasons, and where any dues appear to be irrevocable the orders of competent authority for their adjustment must be sought.

National Telecommunication Corporation under the MoITT, Islamabad provided telecommunication services to designated customers, rented out its space to different tenants and completed different pre-deposit works regarding lying of OFC/UG cables etc during FY 2023-24.

Audit examined the relevant record of outstanding dues in seven (07) formations of NTC and observed that an amount of Rs 923,537,492 was outstanding against various subscribers and rent of building as on 30th June, 2024 as detailed below:

S. No.	PDP No.	Name of Unit	Description	Amount (Rs in Million)
1	251-25	NTC Hqtr, Islamabad	Telcom dues from telecom subscribers	602.980
		Director (Dev) Islamabad		4.825
		Director NTC Islamabad		85.485
		Director (Dev) Lahore		1.705
		Director NTC Lahore		62.405
		Director NTC Peshawar		34.911
		Director (Dev) Karachi		54.967
		Director NTC Karachi		29.715
2	213-25	Director NTC Islamabad	Rent & utility charges	27.165
3	242-25	Director NTC Islamabad	Pre-deposit work	19.379
Total				923.537

Audit contends that non-collection of the aforementioned dues from subscribers, government departments and tenants reflect weak receivable management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the departments/subscribers are being pursued for clearance of outstanding dues as per recovery policy and the progress in this regard will be intimated to audit accordingly.

The management admits the audit contention; however, the recovery efforts on the part of NTC authorities were not available on record.

The matter was discussed in the DAC meeting held on 13th January, 2024. The DAC directed the management to get the recovery verified from audit, besides making efforts for recovery of the outstanding dues.

Audit recommends implementation of DAC directives.

(DP Nos.213, 242 & 251)

7.5.5 Loss due to acceptance of low profit rate and unauthorized premature divestment of funds - Rs 19.804 million

The NTC Management Board in its 103rd meeting held on 28th April, 2021 resolved and approved that in view of operation needs of investments, the Investment Committee is hereby authorized to make investment of NTC and Trust Funds in the best interest of the Corporation and the same be got ratified from the Board in its next meeting. The Board further resolved that NTC Investment Policy be amended with regard to definition of Working Balance, Investment in Banks (TDRs) rather in MTBs/PIBs and presentation of Investment Committee recommendations directly to the Board for its ratification.

The Investment Committee of NTC under the MoITT, Islamabad in its meeting held on 19th February, 2024 decided to place Rs 1,200,000,000 in Bank Alfalah G-7 Markaz branch @ 20.35% per annum w.e.f. 22nd February, 2024 for a period of six months.

Audit examined the investment record and observed that:

- i. The Investment Committee withdrew Rs 1,200,000,000 from BoP and invested in Bank Alfalah @ 20.35% for a period of six (6) months

despite the fact that BOP had offered higher rate of 20.50% for three (03) months deposit, resulting in a loss of profit of Rs 4,114,950.

- ii. The Corporate Secretary and Director (B&F) broke the investment of Rs 1,200,000,000 by withdrawing an amount of Rs 250,000,000 from Bank Al-Falah on 26th April, 2024. Audit noticed that NTC reinvested the balance amount of Rs 950,000,000 at the same rate in Bank Al-Falah without obtaining fresh competitive rates. Consequently, the premature divestment caused profit loss of Rs 15,690,000 ($\text{Rs } 250,000,000 \times 20.35\% \times 111/180 \times 6/12$).
- iii. The investments were made without approval of the Investment Committee and subsequent ratification of NTC Management Board.

Audit contends that NTC suffered financial loss of Rs 19.804 million due to premature divestment and low bank profit which reflects weak financial management and internal controls.

Audit reported the matter to management and PAO during November, 2024. It was replied that the amount of Rs 250 million was withdrawn due to operational requirements on the verbal consent of NTC Investment Committee. The Committee placed the funds with due prudence, considering the diversification and overall portfolio of NTC fund as per investment policy.

The reply is not tenable. The placement of public funds at lesser profit rate and premature divestment by the Corporate Secretary and Director (B&F) without the approval of the Investment Committee and subsequent ratification from NTC management board was in violation of the NTC Investment Policy.

The matter was discussed in the DAC meeting held on 13th December, 2024. The Chair discussed only twenty-six (26) Paras and concluded the meeting due to paucity of time and pended the remaining forty-three (43) PDPs for further meeting. Directorate General Audit, P&TS,

Lahore took up the matter for holding of DAC meeting on the remaining PDPs but no meeting could be convened till finalization of this report.

Audit recommends that the matter be inquired to fix responsibility against the persons at fault, besides recovery of loss.

(DP No.258)

7.5.6 Non-deposit of non-tax revenue into FCF - Rs 16.672 million

According to Section 40B (3) of the Public Finance Management Act, 2019, non-tax revenue representing foreign grants and payments, receipts from provision of services, rents, recovery of overpayments, sale of property etc. shall accrue on completion of the prescribed process. Section 40C (1) of the Act ibid, further states that subject to section 40B, the revenue collection offices shall deposit the collected amounts in Federal Consolidated Fund promptly without delay in prescribed manner under the head of account specified by the Finance Division in consultation with the Controller General of Accounts.

NTC under the MoITT, Islamabad received a non-tax revenue of Rs 16,671,940 on account of recoveries of LDs, private phone calls and house requisitions during FY 2023-24 as detailed below:

S. No.	PDP No	Detail of Non-Tax Revenue	Amount (Rs in Million)
1	138-25	LD recovered, Recoveries from private phone calls, Deductions from House Requisitions etc.	15.240
2	207-25	LD recovered	1.432
Total			16.672

Audit observed that the NTC management did not deposit the non-tax revenue into FCF in contravention to the provisions of PFM Act.

Audit contends that non-deposit of the non-tax revenue into to FCF in compliance of PFM Act, 2019 reflects weak financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that as per Section 10 and 11 of Pakistan Telecommunication Reorganization Act, 1996 the grants, loans, sales proceeds of bonds, loans obtained and all other sums received or collected by NTC form part of NTC income and are disposed of on the basis of surplus income and deficit at the close of financial year.

The reply is not tenable. Section 45 of the PFM Act, 2019 states that this Act shall have overriding effect over all other laws and any law inconsistent with this Act in contradiction with this Act shall be amended to the extent of the inconsistency.

The matter was discussed in the DAC meeting held on 13th December, 2024. The Chair discussed only twenty-six (26) Paras and concluded the meeting due to paucity of time and pended the remaining forty-six (43) PDPs for further meeting. Directorate General Audit, P&TS, Lahore took up the matter for holding of DAC meeting on the remaining PDPs but no meeting could be convened till finalization of this report.

Audit recommends that the collected amount of non-tax revenue be deposited into FCF promptly.

(DP Nos.138 & 207)

**MINISTRY OF INFORMATION
TECHNOLOGY &
TELECOMMUNICATION**

CHAPTER-8

**SPECIAL COMMUNICATIONS
ORGANIZATION (SCO)**

Chapter-8

Special Communications Organization (SCO)

(MoITT)

8.1 Introduction

A) Special Communications Organization was established for the operation, expansion, maintenance and modernization of telecom system in Gilgit-Baltistan and Azad Jammu & Kashmir through an executive order of the Prime Minister of Pakistan on 10th May, 1976. It is managed by a Project Management Board under the Chairmanship of Signal Officer-in-Chief. It falls under the administrative control of Ministry of Information Technology and Telecommunication (MoITT).

DG SCO exercises administrative and financial powers given in the Financial Budgeting, Accounting and Audit (FBA&A) Procedures as approved by the Project Management Board. Its accounts are maintained on the accounting system of erstwhile Telephone & Telegraph Department. CMA (FWO) is responsible for pre-audit and reconciliation of the expenditure of SCO with AGPR.

B) Comments on Budget and Accounts

8.1.1 SCO prepares statement of receipts and expenditure only which is audited by this office and accordingly comments are offered. The expenditure statement of SCO for the FY 2023-24 revealed that there was a saving of Rs 5.174 million under different heads of accounts of Development and Non-Development expenditure which were not surrendered to the Finance Division.

Table-I Audit Profile of SCO**(Rs in Million)**

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2023-24	Revenue / Receipts Audited FY 2023-24
1	Formations	11	04	8,894.491	5,828.080
2	<ul style="list-style-type: none"> • Assignment Accounts • SDAs 	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	11	04	8,894.491	5,828.080
4	Foreign Aided Projects (FAP)	-	-	-	-

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,549.436 million were raised in this report during the current audit of SCO. This amount also includes recoveries of Rs 27.272 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations**(Rs in Million)**

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities (A+B)	1,330.754
A	HR related irregularities	-
B	Procurement related irregularities	1,330.754
4	Value for money and service delivery issues	-
5	Others	2,218.682
Total:		3,549.436

8.3 Status of Compliance with PAC Directives

S. No.	SCO			Compliance		%age
	Audit Year	Total Paras	Total Directives	Received	Not Received	
1	1992-93	22	22	19	3	86
2	1997-98	4	4	4	0	100
3	1999-00	7	7	7	0	100
4	2000-01	5	5	5	0	100
5	2001-02	5	5	5	0	100
6	2005-06	9	9	9	0	100
7	2008-09	6	6	6	0	100
8	2009-10	10	10	10	0	100
9	2010-11	16	16	13	3	81
10	2011-12	19	19	14	5	74
11	2012-13	28	28	14	14	50
12	2013-14	22	22	5	17	23
13	2014-15	10	10	3	7	30
14	2015-16	10	10	5	5	50
15	2016-17	6	6	3	3	50
16	2017-18	8	8	8	0	100
17	2018-19	13	8	8	0	100
18	2019-20	23	23	7	16	30

The above table reflects that the management has shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

8.4 Irregularities

A. Procurement related irregularities

8.4.1 Un-authorized de-scoping of project and overpayments thereof – Rs 885.00 million

According to Para 2.46 of the Chapter 2 of Manual for Development Projects, once approved, the procuring agency is required to implement the project in accordance with the PC-1 provisions. It has no authority to change or modify any approved parameters of the project. If project procuring agency determines that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components or financial allocations, a revised PC-1 must be submitted to the competent forum for approval, no expenditure may be incurred beyond the approved scope and cost of the project, and if it done, it will be considered as inadmissible and illegal expenditure.

The Departmental Development Working Party (DDWP) under MoITT in its meeting held on 29th May, 2020 approved the project “Establishment of SCO Data Center for providing cloud-based services in AJ&K & GB” at a cost of Rs 770 million. Ministry of IT&T revised the cost of the project from Rs 770 million to Rs 885 million on 10th May, 2024 and provided additional funds through re-appropriation from other projects.

Audit observed that SCO procured various items in violation of the approved PC-I which resulted in excess expenditure as well as change of physical scope of the project as detailed below:

S. No.	Description	Approved Cost PC-I (Rs)	Expenditure (Rs)	Remarks
1	Civil Works	75,050,000	115,759,700	Excess expenditure of Rs 40,709,700

2	One video wall was installed against two video walls approved in PC-I	30,000,000	15,000,000	Physical scope of the project was changed.
3	One AC unit was approved but 14 ACs were procured	5,000,000	48,596,429	Excess expenditure of Rs 43,596,429
4	One (01) 150KVA generator set but procured two 500-KVA generator.	15,000,000	34,671,568	Excess expenditure of Rs 19,674,568
5	Rectifiers and batteries were not procured due to which system could not operate.	56,000,000	0	Physical scope changed

Audit further observed that the cost of Hardware was reduced from Rs 510 million to Rs 460 million and the quantity of servers was reduced from 30 to 15, whereas payment for software licenses was made for 30 servers which resulted in over-payment of Rs 12,648,846. Moreover, the management also overpaid Rs 58,268,230 for professional services contrary to the revised scope of physical servers.

Audit contends that these discrepancies indicate breach of the approved PC-1 and incurrence of illegal expenditure. Change in the scope of work without revision of PC-I and the associated overpayments violate the above guidelines and undermine the project's integrity.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the installed video wall was a two in one package. The cooling system was based on heat produced by the servers and directly proportional to dissipated heat. The 150 KVA generator set was a minimum requirement and the procured generator sets were of high capacity than 150 KVA. The 50 KVA UPS was installed as per power requirement and space available in Data Center. Further, thirty (30) Servers were planned for 150 Tb data capacity; however, the vendor quoted fifteen (15) servers having the same capacity. To reduce the cooling requirement, the contract was signed for fifteen servers with the same requirement, which reduced the project cost. Each server has two sockets and licenses were issued as per CPU socket. The fifteen (15) servers were using thirty (30) ZStack Licenses. Further, professional services were paid for 15 servers only as per contract.

The reply is not tenable. The scope and specifications approved in the PC-1 were changed without the approval of the competent forum. As per specification given in the contract, fifteen servers did not contain the provision of double sockets. Similarly, cost of software licenses and professional services were paid for thirty servers showing one job as indicated in the price schedule of the contract.

The matter was discussed in DAC meeting held on 11th December, 2024. The DAC directed the management to regularize the expenditure from DDWP and recover the overpaid amount under intimation to audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC directives.

(DP No. 146 & 147)

8.4.2 Un-authentic expenditure on purchase of ONTs and overpayment thereof - Rs 390.099 million

According to Rule 148 of GFR Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charges by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

Special Communications Organization under the MoITT, Islamabad procured 39,463 Optical Network Terminals (ONTs) worth Rs 390,099,300 under two projects (GPON Phase II, GPN-IV for eleven cities). The detail is as under:

S. No.	Name of Project	ONTs to be procured	ONTs actually procured	Amount (Rs in Million)
1	Expansion of Broadband Services in cities/towns of AJK & GB (GPON-II)	35,000	31,313	236.773

2	Expansion of FTTH Services in 11 cities of AJK & GB (GPON Phase-IV)	8,150	8,150	153.326
Total		43,150	39,463	390.099

Audit observed that 39,463 ONTs of Rs 390,099,300 procured for projects GPON-II and GPON-IV (for eleven cities) were neither entered into stock register nor their receipt and issuance were available on record.

Audit contends that non-maintenance of proper record and non-accountal of ONTs raise serious concerns about the transparency of the procurement process.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the contract against project GPON-II was signed on turnkey basis. The vendor was responsible for supply, installation, commissioning and testing on site. Therefore, all equipment including ONTs were delivered, installed and provided on sites. However, ONT equipment against project “Expansion of FTTH Services in 11 cities of AJ&K & GB (GPON Phase-IV)” was not yet delivered.

The reply is not tenable. The documents submitted during verification against GPON-II project revealed that the contractor had provided 35,000 ONTs (A5 33500 + V5 1500), whereas invoices paid to the contractor showed supply of 31,313 devices. Resultantly, 3,687 ONTs of Rs 27,669,276 were less delivered. Further, the contractor offered special discount of Rs 12,085,242 subject to procurement of 35,000 ONTs according to the purchase order. Had the contractor provided 35,000 ONTs, then the discount offered by the contractor should have been deducted from the cost of purchase order of Rs 265,577,632.

The matter was discussed in DAC meeting held on 11th December, 2024. The DAC directed the management to submit revised reply along with all relevant documents for verification to audit. No compliance of the DAC directives was made till finalization of the report.

Audit recommends implementation of DAC directives.

(DP No. 152)

8.4.3 Un-justified payment against free of cost OLTs equipment - Rs 28.383 million

According to OLT equipment summary of the contract, the contractor will provide OLT equipment for ten sites of AJ&K & GB (Muzaffarabad, Muzaffarabad-I, Mirpur, Bhimber, Rawalakot, Kotli, Chillas, Gilgit, Karimabad and Skardu) free of cost.

Special Communications Organization under the MoITT, Islamabad executed a contract with M/s Communicator's Globe on 21st May, 2021 for provision of Optical Line Terminal (OLT) equipment at a cost of Rs 112,166,061 for forty-nine (49) sites against the project "Expansion of Broadband Services in cities/towns of AJK & GB" as detailed below:

Date of invoice	Unit price (Rs)	Quantity	Amount (Rs in Million)
25-08-2021	2,579,981.40	05	12.900
01-10-2021	2,579,958	05	12.900
21-03-2022	2,545,286	34	86.540
Total		44	112.34

Audit examined the relevant record and observed that:

- i. SCO made a payment of Rs 12,899,790 (Rs 2,579,958 per unit) for five (05) free of cost OLTs. Additionally, the contractor did not deliver the remaining five (05) free of cost OLTs costing Rs 12,899,790 as required under the contract.
- ii. An addendum was signed on May 31, 2024, approving an escalation cost of 20.0230% on free of cost OLTs which led to an un-justified payment of Rs 2,582,948 (Rs 12,899,905 x 20.0230%).

Audit contends that payment for five free of cost OLTs and non-receipts of five free of cost OLTs including escalation charges contradict the contract terms and reflect a lack of due diligence in dealing with financial matters.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the contract was awarded at turnkey basis at a cost of Rs 1,950 million and as per contract Rs 112,166,061 was earmarked for purchase of forty-nine (49) OLTs including ten (10) free of cost. Accordingly, payment was made to the contractor.

The reply is not tenable. The cost of thirty-nine (39) OLTs payable to the contractor was Rs 99,439,534, whereas the contractor was paid an amount of Rs 112,166,061 including the cost of five free OLTs. The escalation charges @ 20.023% was also paid on Rs 112,166,061 instead of Rs 99,439,534.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed the management to submit revised reply along with genuine contractor's invoices. The DAC further directed to provide proof for receipt of remaining OLTs and get it verified from audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC directives.

(DP No. 148)

8.4.4 Overpayment on account of purchase of equipment at excessive rates - Rs 27.272 million

According to price summery of the contract executed with M/s Communicator's Globe, the contractor will provide Optical Network Terminals (ONTs) and Set Top Boxes (STBs) @ Rs 7,504.55 & Rs 8,900 respectively. Further, as per financial bid submitted by M/s Celmore, the aerial OFC will be provided @ Rs 179 per meter. Moreover, M/s KEC was declared as lowest bidder for deployment of OFC @ Rs 1,450 per meter.

Special Communications Organization under the MoITT, Islamabad entered into contracts with M/s Communicator's Globe and M/s Celmore on 21st May, 2021 & 13th March, 2024 for supply of ONTs, STBs and aerial OFC for the project "Expansion of Broadband Services (GPON-II) in cities/towns of AJ&K and GB" at costs of Rs 577.078 million and Rs 15.998 million respectively. SCO also executed a contract with M/s KEC Engineers

for deployment of 150 kilometres of Optical Fiber Cable network from Jaglot to Skardu via Astore (Package-2) in Gilgit-Baltistan on 21st May, 2021 at a cost of Rs 219,900,000.

Audit observed that the project management of SCO overpaid Rs 20,508,251 to M/s Communicator's Globe, Rs 4,363,450 to M/s Celmore and Rs 2,400,000 to M/s KEC, making total overpayment of Rs 27,271,701 as detailed below:

								(Rs in Million)
PDP No	Date of invoice	Name of contract or	Details	Approved rate (Rs)	Rates paid (Rs)	Difference (Rs)	Qty	Over payment Including escalation cost @ 20.0 23%
150-25	19.4.23	M/s CG Pvt. Ltd.	ONTs	7,504.55	8,824	1,319.45	3,310	10.217
	13.3.23	-do-	ONTs	7,504.55	8,824	1,319.45	1,690	5.216
	19.4.23	-do-	STBs	8,900	10235	1335	562	1.902
	24.1.23	-do-	STBs	8,900	10235	1335	938	3.174
	28.3.24	M/s Celmore	Aerial OFC (12 fiber)	Rs 179 per meter	246.130	67.13	65000	4.363
162-25	-	M/s KEC Engineering	OFC deployment	Rs 1,450 per meter	Rs 1,466 per meter	Rs 16 per meter	150000	2.400
Total								27.272

Audit contends that the overpayment indicates a significant lapse in contract management and financial oversight.

Audit reported the matter to the management and PAO during November, 2024. It was replied that as per contract, an amount of Rs 265,577,632 was earmarked for purchase of 35,000 ONTs and Rs 311,500,000 for 35,000 STBs. Accordingly, payment was made to the contractor. Overpayment of Rs 8,599,751 as highlighted by Audit was service charges as no separate invoice for services was claimed. M/s KEC quoted Rs 1,611 per meter and offered 4% discount on quoted price which came to Rs 1,546.56; however, the consultant evaluated the financial bid @ Rs 1,450 per meter which was not accepted by vendor. Therefore, the contract was signed at cost of Rs 1,466 per meter.

The reply is not tenable as two invoices of M/s Communicator's Globe shown in the table above were paid at excessive rates, whereas remaining invoices of the same equipment were paid at the agreed rates in the contract. Besides, service charges were not part of the contract. No reply was furnished regarding procurement of aerial OFC from M/s Celmore. Further, as per financial evaluation report, M/s KEC was declared as most advantageous bidder with bid price of Rs 1,450 per meter but the agreement was signed @ Rs 1,466 per meter.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed the management to provide the proof of installation of 35,000 ONTs, STBs along with contract & tender documents for scrutiny to audit. The DAC further directed to recover the overpayment from M/s KEC and get it verified from audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC directives.

(DP Nos. 150 & 162)

8.5 Others

8.5.1 Non-provision of goods & services against mobilization advances - Rs 921.403 million

According to Standard form of bidding documents issued by Pakistan Engineering Council (PEC), Islamabad, an interest free mobilization advance upto 15% of the contract price, as stated in the letter of acceptance, should be paid by the employer to the contractor upon submission by the contractor of a mobilization advance guarantee/bond for the full amount of the advance in the specified form from a schedule bank in Pakistan or an insurance company acceptable to the employer.

Special Communications Organization under the MoITT, Islamabad entered into six (06) contracts with contractors for execution of works in AJ&K & GB and SCO HQs, Rawalpindi. An amount of Rs 921.403 million was sanctioned as mobilization advance to these contractors.

Audit examined the relevant record and observed that:

- i. Mobilization advances of Rs 364.350 million were paid to three contractors but the advances were not shown adjusted against the goods & services rendered in the subsequently paid invoices.
- ii. Two projects namely, “Up-gradation of transmission network and replacement of OFC in AJ&K & GB” and “Establishment of Data Center for providing cloud-based services in AJ&K & GB” were closed as of 30th June, 2024 but mobilization advances of Rs 557.057 million were not adjusted against their paid invoices.

Audit contends that non-provision of goods and services against mobilization advances represents a potential loss and reflects weak internal controls.

Audit reported the matter to the management and PAO during November, 2024. It was replied that all payments against mobilization advances were part of overall payment of contract and no separate / additional payments were made to vendors in the shape of advances. Besides, no amount was pending with the vendors for ongoing / closed project against mobilization advances.

The reply is not tenable. Goods and services against mobilization advances were not adjusted in the subsequent paid invoices of the ongoing and closed projects.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed the management to provide the adjustment particulars of mobilization advances and get them verified from audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of the DAC directives.

(DP No. 149)

8.5.2 Illegal expenditure from revenue – Rs 869.062 million

According to Section 40C(1)(2) of the Public Finance Management Act, 2019, the revenue collection offices shall deposit the collected amount in Federal Consolidated Fund (FCF) promptly without delay in prescribed manner under the head of account specified by the Finance Division. The revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures except through budgetary mechanism.

Special Communications Organization under the MoITT, Islamabad collected a gross revenue of Rs 7,524,440,000 against which an expenditure of Rs 869,062,000 was incurred during the financial year 2023-24 as detailed below:

PDP No.	Description	Amount (Rs in Million)
159-25	Roaming and calling party base (CPP) charges to telecom operators	814.840
	Domain Name Service charges to M/s Glowbug	47.493
	Numbering charges to PTA	6.729
Total		869.062

Audit observed that operational expenditure of Rs 869,062,000 against revenue earned was held illegal as the departmental receipts could not be appropriated to meet the departmental expenditure.

Audit contends that expenditure against revenue without prior approval from Finance Division reflects violation of the PFM Act, 2019 and weakness of the financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that interconnect charges were paid / received on exchange basis by all operators. Operators released payment to SCO after getting their charges. If the inter-connect payments could not be

timely released by SCO, the services with other operators would have been suspended/ terminated which would have impacted drastically the services & revenues.

The reply is not tenable. These payments were made from revenue in violation of PFM Act, 2019 and without prior approval of the Finance Division.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed the management that procedures relating to these payments be got approved from Finance Division and share with audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide Para No. 8.5.9 having financial impact of Rs 36.686 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 159)

8.5.3 Inadmissible expenditure on new sites and understatement of capital expenditure - Rs 393.717 million

According to Para 2.46 of the chapter 2 of Manual for Development Projects, once approved, the procuring agency is required to implement the project in accordance with the PC-1 provisions. It has no authority to change or modify any approved parameters of the project. If project procuring agency determines that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components or financial allocations, a revised PC-1 must be submitted to the competent forum for approval, no expenditure may be incurred beyond the approved scope and cost of the project, and if it done, it will be considered as inadmissible and illegal expenditure.

The Departmental Development Working Party (DDWP) in its meeting held on 6th April, 2020 approved the project “Expansion of Broadband Services in cities/towns of AJ&K and GB (Phase-II)” at a cost of

Rs 1,898 million. The work was awarded to M/s Communicator's Globe Pvt. Ltd. and an agreement was signed on 21st May, 2021 at a cost of Rs 1,950 million. The cost of the project was revised from Rs 1,898 million to Rs 1,998 million by the MoITT on 26th April, 2022. The project was completed on 30th June, 2024 at a cost of Rs 2,137.817 million.

Audit examined the relevant record and observed that:

- i. An expenditure of Rs 77,130,432 was incurred on four (04) PC-1 approved sites namely Hattian, Gupis, Sost & Taus Yaseen but these sites were not included in the final acceptance certificate issued to the contractor; thereby understating the capital expenditure.
- ii. An expenditure of Rs 128,770,606 was incurred on six (06) un-approved sites namely Jalalabad, Nagar Abbas, Garikot, Astore, Oshkandhas & Khuriatta but these sites were not included in the final acceptance certificate issued to the contractor; thereby understating the capital expenditure.

Audit contends that non-inclusion of approved/un-approved sites in the Final Acceptance Certificate resulted in significant misreporting of the capital expenditure, besides changing the physical and financial scope of the project without approval of PC-1 and un-authorized payment to the contractor.

Audit reported the matter to the management and PAO during November, 2024. It was replied that scope of the project was same i.e expansion of broadband services to 30000 subscribers through GOON technology in 30 cities, towns and villages of AJ&K and GB. The additional sites were included in the contract but no work was carried out on additional sites.

The reply is not tenable as thirty-nine (39) sites (18 for AJ&K & 21 for GB) were included in the contract against thirty (30) approved sites. The OLT and ODN summary of the contract shows that works on these sites were executed and paid Rs 2,137.17 million against the contract cost of Rs 1,950 million.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed the management to submit revised reply along with all relevant documents and get it verified from audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC directives.

(DP No. 158)

8.5.4 Un-authorized approval of escalation charges - Rs 34.50 million

According to Para 2.62(xviii) of the chapter 2 of Manual for Development Projects, escalation charges maximum upto 6.5% per annum of the base cost will be allowed on justification from second year of the project.

The Departmental Development Working Party (DDWP) in its meeting held on 21st June, 2022 approved the project “Establishment of FTTH Services (GPON) in Three Existing Sites Mirpur, Muzaffarabad and Gilgit” at a cost of Rs 500 million. The completion period of the project was 24 months. Ministry of IT&T vide its letter dated 21st August, 2023 revised the cost of the project from Rs 500 million to Rs 567 million, granting 13.40% escalation cost due to increase in dollar exchange rate.

Audit observed that the project management allowed and paid escalation charges of Rs 67 million instead of Rs 32.5 million @ 6.5% during 2nd year of the project. Consequently, an excess escalation charges of Rs 34.5 million was paid in violation of the prescribed limit.

Audit contends that un-authorized approval accorded by the MoITT for escalation charges beyond permissible limit resulted in overpayment which reflects a lack of due diligence and non-adherence to the principles of transparency and accountability in public sector projects.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the project was approved only for two

FYs 2022-23 & 2023-24 and the PAO approved the cost escalation in the 2nd year of the project i.e 2023-24.

The reply is not tenable. The escalation charges were allowed un-authorized beyond the permissible limit of 6.5%.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC directed the management that analysis for escalation made by MoITT may be provided to audit for verification of facts. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC directives.

(DP No. 155)

8.5.5 Un-authorized operation of Digital Financial Services through brand name “S-PAISA”

According to Section 24(1 & 2) of Payment Systems and Electronic Fund Transfer Act, 2007, an applicant that wants to become an Electronic Money Institution (EMI) shall submit an application to the State Bank of Pakistan (SBP) for issue of a license to perform Electronic Money activities. Further, as per Regulation 1(1.3) of Branchless Banking Regulations 2016 issued by SBP, these regulations are applicable to Commercial Banks, Islamic Banks and Microfinance Banks. Activities of branchless banking cannot be offered by any person or institution other than Financial Institutions (FIs). As per Regulation 3(10) of PTA Regulations for Technical Implementation of Mobile Banking 2016, the telecom operator(s) shall not perform any banking function(s).

Special Communications Organization under the MoITT, Islamabad was providing digital financial/ banking services with brand name “S-PAISA” to the unbanked segment of society in AJ&K and GB since 2019 in collaboration with commercial banks. Services like mobile top-up/load, utility bills payment, money transfer, online/fee payments/traffic challan, QR payment and payment of e-commerce activities were provided

through S-Paisa wallet. Further, SCO bills of landline/DSL, Fiber and IPTV were being paid through S-Paisa wallet. Facility of money transfer from Rs 25,000 to 200,000 could be used by the subscribers through this e-wallet.

Audit examined the information available at SCO website/social media and observed that:

- i. SCO opened S-Paisa Wallet for digital financial transactions without the approval of SBP as required under EFT Act 2007.
- ii. SCO integrated its S-Paisa wallet with mobile banking app of Bank Alfalah and Habib Bank to facilitate the digital financial transactions instead of providing technical services to the banks.
- iii. SCO HQ uploaded an amount of Rs 1,750.548 million through S-Load on Master Sims of six (06) franchisees of SCO in Gilgit-Baltistan and Rs 367.515 million on account of GPON revenue of GB region realized by SCO HQs through S-Paisa wallet during FY 2023-24. Thus, e-money transactions of Rs 2,118.063 million were made through S-Paisa wallet in GB region which indicates that SCO performed mobile/digital funds transfer activities through S-paisa wallet.
- iv. The revenue sharing mechanism and revenue earned/realized during FY 2023-24 through provision of technical and agent services was not provided to audit.

Audit contends that SCO performs digital financial services instead of providing technical services in violation of Regulations issued by SBP & PTA.

Audit reported the matter to the management and PAO during November, 2024. It was replied that SCO did not use banking platform (bank or EMI) and could not directly provide mobile banking applications or direct banking services. Bank consumers can access all banking services via S-COM GSM network, broadband or wifi services directly. Consumers and

banks pay for SCO network services and revenue was deposited into the FCF.

The reply is not tenable. The website of SCO clearly shows that SCO is using the Bank Alfalah and Habib Bank mobile banking applications for S-paisa wallet without the approval of SBP/PTA and consumers can open S-Paisa wallet account in these applications for mobile top-up, utility bills payment, money transfer, on-line payments etc. Further, SCO did not provide agreements signed with the banks for audit scrutiny.

The matter was discussed in the DAC meeting held on 11th December, 2024. The DAC settled the Para subject to provision of copies of agreements signed with HBL and Bank Alfalah regarding opening of wallet in these banks' application with respect to S-Paisa for audit scrutiny. No further progress was intimated till finalization of this report.

Audit recommends that the agreements signed with commercial banks for S-paisa wallet may be provided to ascertain and ensure that public interest has been safeguarded, besides obtaining necessary approvals from SBP & PTA for performing digital banking services.

(DP No. 143)

**MINISTRY OF INFORMATION
TECHNOLOGY &
TELECOMMUNICATION**

CHAPTER-9

UNIVERSAL SERVICE FUND (USF)

Chapter 9

Universal Service Fund (USF)

(MoITT)

9.1 Introduction

A) Federal Government established the Universal Service Fund (USF) under Section 33A of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 to provide telecom services in the unserved and underserved areas across Pakistan. The main functions of the Fund are to:

- Bring the focus of telecom operators towards rural population and increase the level of telecom penetration significantly in the rural areas through effective and fair utilization of the Fund.
- Improve the broadband penetration in the country.
- Enhance e-services in rural as well as urban areas of the country.

Federal Government in pursuance of Section 57 (2) of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 approved the Universal Service Fund Rules, 2006. In terms of Rule 10 *ibid*, MoITT established a non-profit company limited by guarantee for implementation of USF projects. The company is managed by a Board of Directors chaired by Secretary, MoITT as its Chairperson to run its affairs. Federal Government is responsible for timely utilization and release of sums in accordance with the criteria as may be prescribed.

B) Comments on Budget and Accounts

- 9.1.1 As per Note 17.1.4 to the Financial Statements, the case of receivables amounting to Rs 1,460.631 million against PTCL was decided by the Honorable Islamabad High Court (IHC) in the current financial year in favor of USF Company; however, the Company formed an appeal committee on the request of PTCL instead of encashment of the bank guarantees.
- 9.1.2 As per Note 11.3, the receivables, past due over 90 days, were increased by 36.30% from Rs 1,722.184 million (2023) to Rs 2,346.989 million (2024) which reflects weak receivable management.

Table-I Audit Profile of USF

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	01	01	16,635.183	9,448.711
2	<ul style="list-style-type: none">• Assignment Accounts• SDAs	01	01	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	16,635.183	9,448.711
4	Foreign Aided Projects (FAP)	-	-	-	-

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 17,806.898 million were raised in this report during the current audit of the USF Company & Fund. This amount also includes recoveries of Rs 767.297 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations**(Rs in Million)**

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	42.270
A	HR/Employees related irregularities	42.270
B	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	5,000.000
5	Others	12,764.628
Total:		17,806.898

9.3 Status of Compliance with PAC Directives

S. No.	Audit Year	USF & CO		Compliance		%age
		Total Paras	Total Directives	Received	Not Received	
1	2011-12	40	40	25	15	63
2	2012-13	61	61	5	56	8
3	PAR 2013-14	41	41	2	39	5
4	2014-15	18	18	2	16	11
5	2015-16	11	11	3	8	27
6	2016-17	9	9	6	3	67
7	PAR 2016-17	24	24	17	7	71
8	2017-18	11	11	9	2	82
9	2018-19	9	7	7	0	100
10	2019-20	10	10	4	6	40

The above table reflects that the management has not shown adequate interest in complying with the PAC directives over the years.

AUDIT PARAS

9.4 Irregularities

A. HR/Employees related irregularities

9.4.1 Inadmissible payment of monthly fuel ceiling to USF employees – Rs 23.762 million

According to Rule 5 (5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control which shall be effectively implemented at all levels within the Public Sector Company to ensure with the fundamental principles of probity and propriety, objectivity, integrity and honesty.

USF Company under the MoITT, Islamabad paid vehicle monetization allowance of Rs 11,702,562 to its officers above manager level. The Company also authorized monthly fuel ceiling against their private vehicles and paid an amount of Rs 23,761,610 during FY 2023-24.

Audit observed that authorization of fuel against their private vehicles in addition to payment of monetization allowance was inadmissible.

Audit contends that authorization of fuels to private vehicles and payment of monetization allowance simultaneously reflects non-adherence to the canon of financial propriety.

Audit reported the matter to the management and PAO during October, 2024. It was replied that USF Company has a policy to provide official vehicles and monthly fuel entitlement to USF officers (Managers, GM, & Company Secretary, CEO) as approved by Board of Director in its 5th Board meeting held on 17th August, 2007.

The reply is not tenable. The USF Company Board of Directors did not allow to pay both the facilities simultaneously to all officers above

manager level. Further, the subject issue was also pointed out in Audit Report 2023-24. While discussing the Para, the DAC directed the USF Company to place the matter before its Board.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed the USF Company to provide earlier decision of the Board to Audit. The DAC further directed to place the matter along with Audit Para and DAC directives as agenda item before the BoD for discussion and decision and share the outcome with Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the MfDAC Report for the Audit Year 2022-23 vide PDP No. 96-2023 and Audit Report 2023-24 vide Para No.9.4.1, having financial impact of Rs 33.614 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.91)

9.4.2 Irregular appointment on deputation and payment of pay & allowances - Rs 18.508 million

According to Section-10 of Civil Servants Act, 1973, every civil servant shall be liable to serve any-where within or outside Pakistan, in any [equivalent or higher] post under the Federal Government, or any Provincial Government or local authority, or a corporation or body set up or established by any such Government or through his posting on deputation basis in terms of S. No. 29 of Civil Establishment Code. S.No.47 of the Estacode further stipulates that there is a bar against asking officers by name for posting in corporations/autonomous bodies. The corporations / autonomous bodies negotiate directly with officers serving in other departments and Ministries and ask for their release for posting with them. This procedure is neither regular nor proper.

USF Company under the MoITT, Islamabad informed the Board in its 65th meeting held on 25th July, 2019 about the requests received from MoITT to borrow Mr. Faraz Shakeel Aziz and Mr. Aslam Saeed on deputation in USF Company as coordination officers in OP-4 pay scale. The Board resolved and approved the appointment of both officers and delegated the powers to CEO USF Co. to issue letter of appointment and fix their remuneration as per USF HR manual. The company fixed their salaries and incurred an expenditure of Rs 18,508,444 on account of their pay & allowances.

Audit examined the personal files of the officers and observed that:

- i. The officers respectively belonged to NITB and Ministry of Communications and were working in MoITT; therefore, their deputation in USF Company through MoITT was in violation of the deputation policy. No Objection Certificate (NOC), relieving orders and Last Pay Certificates (LPC) of their parent departments were not found available on-record.
- ii. CV of Mr. Faraz Shakeel Aziz submitted for posting on deputation showed him as Assistant Director (Admn) NITB as on 20th November, 2019, whereas he joined USF Co., MoITT Wing on 1st August, 2019. However, his charge relinquish report indicated that he had relinquished from NITB in BPS-17 on 2nd December, 2020, which makes his pay & allowances from USF Co., doubtful. Besides, he was appointed as Assistant Private Secretary in BPS-16 which was against the standard terms and conditions of the deputation.
- iii. Mr. Faraz Shahkeel was repatriated on 4th September, 2023 and his LPC was issued by AGPR, Islamabad on 25th October, 2023. whereas, Mr. Aslam Saeed was re- repatriated on 1st May, 2024, LPC record issued by AGPR was not available. Furthermore, USF Company also did not issue their LPCs on repatriation to their parent departments.
- iv. USF Company fixed their pay & allowances without receipt of their LPCs from their parent departments. In addition, they were allowed

deputation allowances which were not admissible to other officials borrowed on deputation.

- v. The pay roll record for the month of July, 2023 of Mr. Faraz Shakeel Aziz and for the month of April, 2024 of Mr. Aslam Saeed showed gross pay of Rs 212,478 and Rs 217,518 respectively, whereas Rs 181,978 and Rs 187,018 were shown as gross pay at the time of final settlement, resulting in overpayment of Rs 3,109,015.

Audit contends that the officials borrowed on deputation in violation of Civil Servants Act, 1973 indicate weak HR management.

Audit reported the matter to the management and PAO during October, 2024. It was replied that the matter regarding provision of the requisite documents as highlighted by the Audit has already been taken up with MoITT being a parent department of the deputationists. A formal request was made through this office letter dated 22nd October, 2024 and a subsequent reminder was forwarded via e-office on 18th November, 2024. As regard to overpayment, Audit has not considered the complete Pay Package including the perks (Fuel / Conveyance & Communication Allowance) payable to entitled staff as per terms and conditions of both officers at the prescribed rate duly approved by the Board. Hence, no overpayment was made.

The reply is not tenable. The requisite information for deputation of both officers including their joining, relieving and pay fixation was erroneous. The salaries of the officers were different in their offer letters & LPCs than their pay roll register.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed USF Company to coordinate with the parent offices of the deputationists, collect all relevant record / information and prepare a comprehensive report. The subject report be shared with Audit within two months. No further progress was intimated till finalization of this report.

Audit recommends that fact finding inquiry may be made and responsibility fixed against the person(s) at fault, besides implementation of DAC directives.

(DP No.89 & 107)

9.5 Value for money and service delivery issues

9.5.1 Non-preparation of performance-based budget and irregular utilization of block allocation – Rs 5,000 million

According to Section 9(2) of the Public Finance Management Act, 2019, each PAO requires to prepare medium-term performance-based budget which may include policy and goals, past and future expenditure, outputs and outcomes and related performance indicators and targets.

USF Company under the MoITT, Islamabad prepared a budget of Rs 18,036,436,721 including an amount of Rs 5,000 million as block allocation for new projects for the FY 2023-24. The budget was presented before the Board for in-principle approval in its 85th Meeting held on 20th June, 2023. The budget was approved by the policy committee in its 46th meeting held on 6th July, 2023.

Audit examined the record and observed as under:

- i. USF Company did not prepare the medium-term performance-based budget including policy goals, outputs, outcomes, performance indicators and targets in violation of the PFM Act, 2019.
- ii. USF Company spent the block allocation of Rs 5,000 million on ongoing projects instead of new projects in violation of the policy committee approval.
- iii. MoITT released the block allocation of Rs 5,000 million without exercising due diligence in utilization of approved budget by USF Company.
- iv. The USF company conceived only one new project during FY 2023-24 despite availability of budget. Consequently, the company did not utilize the approved budget and had a balance of Rs 1,964,337,546 in its account as on 30th June, 2024.

Audit contends that non-adherence to rules, regulations and standing instructions regarding budgeting resulted in poor financial management, besides depriving the general public of underserved and unserved areas from telecommunication services.

Audit reported the matter to the management and PAO during October, 2024. It was replied that USF project planning is dependent heavily on the available funding in the US Fund. USF could not award any new projects due to a shortage of funds. The block budget allocation was utilized by USF management for ongoing projects in accordance with the approval and direction of the Board of Directors.

The reply is not tenable. The role of BoD is recommendatory for approval of budget. Actually, the budget is approved by the Policy Committee. Moreover, the management did not furnish any reply regarding preparation of performance-based budgeting.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed the USF Company to get regularized the budget pertaining to saving and usage of block allocation against on-going projects from Policy Committee and get it verified from Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.87 & 102)

9.6 Others

9.6.1 Non-conducting quality-of-service survey against completed projects – Rs 5,967.910 million

According to Clause 9.01 (i) & (iii) of the Service Subsidy Agreement (SSA), the USF Service Provider shall provide to USF, within 14 days of the effective date and for each calendar quarter (three months) thereafter throughout the term of this agreement, a report (the “Report”), which shall include a detailed USF network implementation plan, network

description and a report on the achievement of quality of service and other service requirements for the USF services set out in Schedules-A and B, including details regarding service maintenance and the time required to repair service outages.

USF Company under the MoITT, Islamabad executed contract agreements with various operators for provision of telecommunication and broadband services in un/underserved areas against BSD, NG BSD, NH & MW and OFC projects. Sixteen (16) projects were found completed and a payment of Rs 5,967,909,866 was made during FY 2023-24 to the service providers.

Audit observed that neither implementation plan nor quality of service survey reports as per standards fixed by PTA were available on record. Audit also noticed that USF company received 216 complaints during FY 2023-24 on various issues including quality of service / connectivity problems despite deployment of network and completion of the projects but the company neither addressed the complaints itself nor were forwarded the same to PTA for enforcement.

Audit contends that non-conducting of QoS survey and non-generation of the requisite QoS reports undermines the provision of quality telecommunication and data services to the people of un/underserved areas which reflect weak monitoring & evaluation mechanism.

Audit reported the matter to the management and PAO during October, 2024. It was replied that USF Service providers submit bi-weekly progress trackers against each project in execution, in which site-wise implementation plan is shared with USF along with the issues being faced and the steps taken to mitigate those issues. Monthly meetings are held with all service providers to discuss the ongoing implementation projects, their implementation plans, issues & bottlenecks with resolution timelines and support requirements from internal/external stakeholders. All offered milestones are audited for services to meet desired contracted and PTA

benchmarked service. In case of failure, the offered milestone is rejected with Snags highlighted for resolution and for subsequent reoffer post redressal.

The reply is not tenable. USF company undertakes actions on installed infrastructure damages and remove the snags pointed out in the monitoring reports but audit did not find any Quality-of-Service reports as per standards fixed by PTA on record.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed USF company to provide monitoring reports of the completed projects. The DAC further directed that break-up of complaints sent to PTA for action on account of Quality of Service (QoS) be provided to Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.86)

9.6.2 Non-completion & commercialization of OFC Project - Rs 2,656.031 million

According to Para-3 & 4 of Schedule-D of USF project implementation and subsidy schedule against Lot-14, Attock, all five (5) Project Implementation Milestones must be implemented within sixteen (16) months of the effective date. The Project Implementation Milestones set out means that USF Optical Fiber Network and Services are fully operational and are available for commercial use in each of the identified Towns / Union Councils in accordance with the Service Subsidy Agreement (SSA), including, but not limited to, the service requirements and quality of service standards.

USF Company under the MoITT, Islamabad executed a contract agreement with M/s Nayatel on 19th October, 2022 for OFC-UC-PB-LOT-14-Attock Project. Initially, the project completion date was 18th February,

2024, and after grant of Force Majeure of 180 days, the completion date was changed to 16th August, 2024. The total cost of the project was Rs 4,521.458 million including USF subsidy of Rs 2,693.000 million.

Audit examined the project record and observed that:

- i. According to Technical Audit Report of the project, total 570 KMs OFC for 47 UCs / towns had been laid and verified. The route diagram and as built laying diagram were the basic documents which specified the parameters for depth / width of the trench, HDPE pipe status, placement of OFC, warning tape, back filling of the trench, civil works and placement of route markers which were neither available on record nor provided to audit; hence, audit could not reconcile / verify the BoQ items with actual work done.
- ii. USF Company granted an extension of 180 days on 13th June, 2023 invoking the force majeure clause on account of fire & LC restriction. The request of M/s Nayatel of 15th May, 2023 transpired that no incident of fire had happened. Further, the State Banke of Pakistan vide its letter dated 27th December, 2022 had withdrawn the restrictions on LC w.e.f 2nd January, 2023. Therefore, the grant of extension on the basis of force majeure was unjustified.
- iii. M/s Nayatel proposed 95 BTS towers to be fiberized through 47 unserved UCs / towns. The operator failed to complete the 5th and final milestone of connectivity having subsidy of Rs 11,603,272 which resulted in non-provision of telecommunication services to the proposed UCs / towns having the population of 922,935. Further, status of the proposed 95 BTS was not cleared in the available record whether they were newly installed or otherwise.

Audit contends that non-completion & non-commercialization of the project resulted in non-provision of telecom services to the general public of the unserved UCs/towns and non-receipt of revenue for the Government on account of Annual Regulatory Dues, USF & R&D contributions from the gross revenue of the operators as per license conditions specified by PTA.

Audit reported the matter to the management and PAO during October, 2024. It was replied that the Technical Auditor (TA) verified the OFC routes as per built diagrams provided in the prerequisite data and clearly mentioned and provided the sample pictorial evidences in the reports. The force majeure was awarded in the light of Article No. 13 (FM) of SSA after evaluation of documents. The 5th milestone was for BTS connectivity, with the general availability of OFC services to the end users in USF target areas. It is to clarify that once a node is installed and operationalized the end user services can be extended from these nodes. However, these end user services are not part of the project. The service provider submitted as built diagrams as per offered milestone prerequisite data.

The reply is not tenable. As built laying diagram is the basic document required for verification of actual work done which was not provided for audit scrutiny. Further, if the completion of the 5th milestone BTS connectivity was subject to business of the interested operators and mutual agreements between the host and guest operators, then the cost of the 5th milestone paid in the subsidy to the operator was not justified. Moreover, the management did not respond to the audit objection with regard to grant of extension by invoking force majeure clause.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed the USF Company to provide As Built Diagram, date of completion of the project along with status of connectivity and all documents pertaining to force majeure event to audit for verification. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.85 & 96)

9.6.3 Non-deduction of Provincial Sales Tax on Services – Rs 2,367.174 million

According to Section-10 of Punjab Sales Tax on Services Ordinance, 2012 and Section-9 of KPK Sales Tax Act, 2022, of the provincial revenue

authorities, there shall be charged, levied, collected and paid the tax on the value of taxable service at the rate specified in the second schedule.

USF Company under the MoITT, Islamabad executed a number of contracts with various telecom operators for provision of telecom and broadband services in un/underserved areas of Pakistan. An amount of Rs 15,680,380,988 (completed Rs 5,967,909,866 + on going Rs 9,712,471,122) was paid under head CAPEX on account of subsidy from US Fund for execution of the contracts.

Audit observed that neither the USF Company withheld the sales tax on services of Rs 2,367,174,149 from the telecom operators engaged in contractual execution of works nor telecom operators provided detail of payment of sales tax on services to USF Company during FY 2023-24.

Audit contends that non withholding of sales tax on services and non-submission of details of sales tax on services paid by the telecom operators reflects weak financial management as well as potential tax revenue loss to the respective PRAs.

Audit reported the matter to the management and PAO during October, 2024. It was replied that USF paid subsidy grants to projects to meet the cost differential of building and maintaining the telecom infrastructure and no services are provided in execution of these contracts together. The withholding is to be made on sale tax invoice issued by service providers for taxable services and withholding will not be made from any taxable services provided by a company being an active taxpayer. USF SSA service providers do not issue any sales tax invoice for execution of projects, not being a taxable service and all service providers are active taxpayers' companies with all tax authorities.

The reply is not tenable. USF Company is under obligation to protect the public interest and ensure that the tax liable on the telecom operators on account of subsidy granted by the company has been paid to the respective PRAs.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC accepted the view point of USF Company and settled the para. However, Audit did not agree and informed the DAC that a clarification from FBR and PRAs on the issue is required.

Audit recommends that clarification may be sought from FBR and respective PRAs.

(DP No.104)

9.6.4 Unjustified payment of subsidy – Rs 963.009 million

According to Clause 5.01 of Service Subsidy Agreement (SSA), USF shall pay the USF Service Provider the USF subsidy in accordance with the subsidy instalment payments identified in Schedule-D. Further, USF service provider will be responsible for paying any fees, taxes or charges otherwise applicable to the USF service provider till the term of the contract, in accordance with the Act and other laws of Pakistan and regulation made there under.

USF Company under the MoITT, Islamabad awarded NG-BSD and BSD projects for provision of voice and broadband services in Punjgur, Sialkot and Mohmand Lots. An amount of Rs 963.009 million was paid as subsidy for the planned mauzas during FY 2023-24.

Audit observed that the USF Company planned different mandatory mauzas against targeted populations for award of the above projects which were de-scoped subsequently without deduction of the amounts of subsidy granted for the de-scoped mauzas. Consequently, the population of the de-scoped mauzas was deprived from the telecom and data services and remained unserved as detailed in **Annex-VI**.

Audit contends that payment of subsidy without inadequate planning, proper assessment and due deductions for the de-scoped mauzas indicates weak contact as well as financial management.

Audit reported the matter to the management and PAO during October, 2024. It was replied that all the rescope changes by USF were compliant to the SSA provisions and any relocation of sites was done to achieve the same universal service objectives. Any change leading to reduced infrastructure is dealt with associated deductions against de-scoped BoQ. Subsidy by SP, is demanded against infrastructure only. Deductions against mauzas and population coverage cannot be accounted for if offered infrastructure is installed.

The reply is not tenable. The subsidy granted included the de-scoped mauzas also where telecom infrastructure and services were not provided.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC pended the paras and directed USF Company to arrange a comprehensive presentation for Audit on USF Model and working of the USF Company including Planning, Methodology and award of the projects. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.93, 97 & 98)

9.6.5 Non-recovery of liquidated damages and de-scoping charges – Rs 624.805 million

According to Article 4.01 of Services and Subsidy Agreement; (a) Unless a Force Majeure Certification has been issued to certify that a Force Majeure Event has caused the failure, then failure to meet the Final Implementation Date identified in Schedule-D may, at the sole discretion of USF Co, result in the imposition of one or more of the penalties set out as: (i) loss of eligibility for all or part of the USF Subsidy; (ii) forfeiture of all or part of the Performance Bond; (iii) payment of liquidated damages equal to one-half of one percent (0.5%) of the USF Capex Subsidy amount payable for the work that is delayed, and such half percent shall be payable per every week the failure continues (v) payment of liquidated damages equal to all or

part of USF Co estimate of the costs of providing the USF Services in the USF Areas left un-served due to the failure.

CEO USF Company under the MoITT, Islamabad signed Service Subsidy Agreement (SSA) with M/s PTCL on 25th June, 2009 against Baluchistan Package-2 with completion period of sixteen (16) months which expired on 24th October, 2010. USF company granted three extensions on account of force majeure to M/s PTCL and Final Implementation Date (FID) was set as 23rd January, 2012. M/s PTCL offered 4th & the final Milestone on 30th January, 2020 which was accepted by USF Company. Consequently, the project delayed for 2929 days.

Audit observed that the USF Company vide its letter dated 22nd September, 2023 directed PTCL to deposit an amount of Rs 624,804,535 on account of liquidated damages and de-scoping on or before 26th September, 2023 as detailed below; however, M/s PTCL did not deposit the liquidated damages and went into litigation.

S. No.	Particulars		Amount (Rs in Million)
1	Final Implementation Date (FID)	23.01.2012	-
2	4 th Milestone offered date	30.01.2020	-
3	Delay in days	2,929	-
4	Delay in weeks	418.43	-
5	4 th Milestone value	Rs 278,086,632	-
6	LD Charges (278,086,632 x 0.5% x 418)		581.797
7	Amount of De-Scoping (Mehnaz Buleda Link)		109.102
	De-Scoping (Link A, B, C)		173.906
Total recoverable			864.805
Amount payable to PTCL 4th milestone			240.000
Net recoverable			624.805

Audit contends that non-completion of the project within the stipulated period and non-imposition of liquidated damages and de-scoping charges timely reflect weak procurement and contract management.

Audit reported the matter to the management and PAO during October, 2024. It was replied that the payment deadline had passed and USF proceeded with the encashment of PTCL's bank guarantee on 27th September, 2023, which could not be encashed due to the court's restraining order.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed USF to pursue the court case vigorously and outcome be shared with Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.83)

9.6.6 Non-recovery of USF contributions – Rs 142.492 million

According to Rule 4(2) of USF Rules 2006 (amended in 2023), every licensee having a license containing provision regarding USF contribution issued, renewed or validated, shall contribute 1.5%, from date of grant of such license, of its annual gross revenues from the most recently completed financial year of the licensed services minus inter-operator and related Authority and Frequency Allocation mandated payments. Further, as per Clause 4.2.1 of Long Distance International (LDI) License issued under Section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, the Licensee shall pay all annual fees to the Authority and make contributions to the Funds within 120 days of the end of the financial year to which such fees relate.

The MoITT, Islamabad maintained USF Fund based on contributions received from telecom operators, upon which the USF Company carried out operational and business activities and received Opex and Capex budgets.

Audit observed that the Universal Service Fund Management failed to recover an amount of Rs 142,492,238 on account of USF contributions against the billing issued to the telecom operators during FY 2023-24 as detailed below:

S. No.	Name of Operator	Billing	Receipts	Balance
(Rs in Million)				
1	Connect Communications	1.695	1.640	0.055
2	Infrastructure Pakistan	0.282	0.280	0.003
3	Multinet	36.582	26.597	9.985
4	New Millennium Network	0.060	0	0.060
5	PTCL	1,265.727	1,152.315	113.412
6	Sunwalk Optical Fiber	1.038	1.029	0.010
7	Telenex	0.581	0.572	0.008
8	Wi-Tribe Pakistan	10.572	0	10.572
9	World Call	8.387	0	8.387
Total				142.492

Audit contends that non-recovery of the USF contributions from the telecom operators not only reflects weakness of the USF Fund management but it also affects the financial health of the USF Company.

Audit reported the matter to the management and PAO during October, 2024. It was replied that the recovery of dues from the operators is an ongoing process and at present recovery of Rs 130 million is outstanding.

The Fund management admits the audit contention; however, the outstanding dues are Rs 142.492 million.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed the USF Fund management to provide the particulars of recovered amount and get it verified from audit, besides recovery of the balance amount. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.105)

9.6.7 Irregular award of project to PTCL – Rs 43.207 million

According to Rule 23 of USF Rules, 2006 (amended in 2023), an officer of the USF company designated for projects shall prepare a project

plan for each project which shall include a clear and complete description of the lots, all applicable service requirement, specifications and standards, any applicable service implementation timetable and any special commercial terms that would have a particular impact on financial viability or business planning. Where the project is to be auctioned with a reserve price, the project plan shall also identify the maximum subsidy amount for the lots. Clause 43.4 (c) of Request for Applications (RFA) and Annex-4 to the RFA represents that the applicant is in compliance with all applicable license conditions, and is otherwise in good standing with the PTA.

USF Company under the MoITT Islamabad, entered into an agreement of Rs 43,207,217 with PTCL to connect the targets of two (2) union councils / towns of Baleli (PTCL-Samungli - Nohsar) and (Nohsar – Aghbarg) in the district of Quetta with an unserved population of 28,658 by deploying OFC of 7.7 KM on 26th September, 2023.

Audit examined the documents and found that:

- i. M/s PTCL submitted declaration of good standing with PTA dated 24th April, 2008 which was not applicable for FY 2023-24. Moreover, the said declaration was issued with the approval of Chairman instead of the Authority as required under Section 3 (9) of PTR, 1996 (amended 2006).
- ii. The record indicated that only words “Duct” & “Buried” were used without availability of proper route diagram at the time of planning and As Built Laying Diagram after completion for laying of OFC cable, showing excavation, fixing of nodes & route indicators etc.
- iii. The in-house technical auditor nominated by the USF verified the parameters for depth / width of the trench, HDPR pipe status, placement of OFC, warning tape, back filling of the trenches and GI pipe, however, audit could not verify the work done without availability of As Built Laying Diagram.
- iv. M/s PTCL offered the milestone on 1st December, 2023, whereas NOC for Right of Way was issued on 26th December, 2023 by

Metropolitan Corporation Quetta without finding the invoice of right of ways on record.

Audit contends that the project was awarded to M/s PTCL in violation of RFA, adequate planning and assessment. Further, execution of the project without developing route diagram and As Built Laying Diagram raises concern over the actual work done.

Audit reported the matter to the management and PAO during October, 2024. It was replied that the letter being referred by the Audit was not a required document to be submitted in proposal. As per Section 43.4 (c) the bidder has to submit “a declaration in the form of Annex-4 to this RFA, representing that the Applicant is in compliance with all applicable license conditions, and is otherwise in good standing with the PTA”. As built diagrams were part of the pre-requisite data submitted by the USF Service Provider with claim of completion of a project milestone. Section-3 of the Technical Audit report clearly specifies the documents submitted as prerequisites data. The ROW document was already submitted by SP in the prerequisite data along with the project milestone offer.

The reply is not tenable. The management admits that the operator was required to submit declaration of good standing with PTA and As Built Diagram. However, M/s PTCL provided the good standing declaration of 24th April, 2008, which was invalid for FY 2023-24. Route diagram and As Built Diagram were not available on record and the NOC for right of way was issued on 26th December, 2023 after offering of the milestone.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed the USF to refer the matter regarding good standing declaration to PTA for clarification. The DAC further directed that all relevant record be provided to audit for verification. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives

(DP No.84)

9.6.8 Unauthorized fixing of USF charges / tariffs

According to Section 26 of Pakistan Telecommunication (Re-organization) Act, 1996 (amended 2006), the level of tariffs for telecommunication services including basic telephone service shall be regulated by the Authority in accordance with the regulations. Further, according to Clause 2.06 (a) (i) of Service Subsidy Agreement (SSA), the USF service providers charge for USF services for Indefeasible Right of Use (IRU) based OFC connectivity, the maximum tariff shall be Rs 15,000 per KM per year inclusive of CAPEX and O&M.

USF Company under the MoITT, Islamabad executed a contract agreement with M/s Nayatel on 19th October, 2022 for OFC-UC-PB-LOT-14-Attock Project. M/s Nayatel proposed network with route length of 570 KMs to connect 47 unserved UCs / towns of Attock having population of 922,935. After completion of the project, the operator will sell out the services to its clients on unapproved rates as detailed below:

- i For IRU based OFC connectivity, the maximum tariff shall be Rs 15,000/- per KM per year inclusive of CAPEX and O&M.
- ii For capacity-based OFC connectivity, the maximum tariff shall be Rs 2,700/- per Mbps per year inclusive of OPEX and O&M.
- iii For Dark Fiber-based OFC connectivity, the maximum tariff shall be Rs 10,000/- per KM per year inclusive of CAPEX and O&M.
- iv For any other services the tariff shall not exceed 25% of the wholesale tariff of equivalent services in metropolitan areas that will be taken as a bench-mark and shall be defined by USF.

Audit observed that USF management fixed tariffs for USF services in violation of the provisions of the Act and without consent of the PTA. Audit further noticed that there was no record / report available with USF Company regarding the application of prescribed rates by the service providers and details of the network sold out to other operators through interconnect agreements.

Audit contends that fixing of tariffs for USF services by USF company is in violation of the PTR, 1996 and indicates weak internal controls.

Audit reported the matter to the management and PAO during October, 2024. It was replied that USF management is of the view that Board is a competent body that can take strategic decisions on designs of projects which are being subsidized by the USF. Audit observation has however been noted and will be shared with USF Board for review.

The reply is not tenable. The USF Board is not authorized to determine and approve tariffs which is the power and the responsibility of PTA.

The matter was discussed in the DAC meeting held on 12th December, 2024. The DAC directed USF Company to refer the matter along with Audit Para to PTA for clarification and outcome be shared with Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.99)

IMPACT AUDIT OF DATA CENTER OF NTC

1. Introduction

1.1 Background

Data has a vital role in today's digital world and its confluence from different sources becomes dataflow which is the lifeblood of modern information architecture. In order to meet the challenge of the modern era, NTC decided to establish a National Data Center with cloud-computing services dedicated for e-government functioning of the public sector organizations. The traditional Data Center services were being used only for physical hosting services, email services, intranet services, storage leasing and equipment room space leasing. Due to limited room space and low computing resources, the utilization of traditional Data Center was posing enormous challenges in profitability and cost effectiveness. In order to align the digital data services with modern best practices, NTC took the initiative of establishing the first ever National Data Center based on cloud computing technology to improve the resource utilization and provide quality services to the Public Sector entities to move towards e-governance.

1.2 Role of Data Center

Following are the technical parameters and role of the National Data Center.

a. Computing system and security

Computing system in the Data Center includes high-end computing machines for managing cloud-based services including an appropriate storage arrangement through Storage Access Network (SAN). Keeping in view the sensitivity and importance of information security, a proper security solution has been embedded to the Data Center to include Network Security, Data Security and Terminal Security.

b. Routing and Switching

Telecommunication equipment and system of high-end firewalls, core switches, routers and allied connectivity have been provided in the Data Center for stringent, reliable and highly available services.

c. Co-location

The Data Center provides not only co-location of physical space and bandwidth to the clients in the rental space but also offers power connection, cooling and physical security required for the client-owned servers, storage and networking equipment.

d. Cloud Services based Data Center

Cloud based services have been added to the Data Center to improve the resource utilization by offering the cloud computing services to enhance the flexibility, scalability, efficiency, and cost-effectiveness of IT operations.

e. Advanced Networking and Burstable Internet

The Data Center also includes advanced networking solutions for the clients to meet their networking demands. In addition, the Data Center also contains managed connectivity solution to provide highly redundant, scalable and burstable internet bandwidth to the clients to avoid recourse to expensive and complex next generation networks.

2. Overview

The project was considered to be of great importance due to upcoming trend and demand of Data Center services. The project for establishment of the Data Center was planned in the Annual Development Plan 2015-16 and was sponsored by NTC from its own resources. The date of commencement was 15th August, 2015 and date of completion was 8th August, 2016. The project was completed at the cost of Rs 420.081 million against the planned cost of Rs 399.50 million.

Keeping in view the increasing demand of the government departments, disaster recovery and enhanced data security requirements, NTC management decided to establish Disaster Recovery Site at Lahore and to expand the existing Data Center at NTC Headquarters, Islamabad. For this purpose, NTC included two more projects with the proposed cost of Rs 480.863 million and Rs 634.004 million in ADP 2017-18 and 2020-21

respectively. NTC incurred significant expenditure on the Establishment of the Data Center, Disaster Recovery Site and Expansion of Existing Data Center at Islamabad as detailed below:

(Rs in Million)

S. No.	ADP	Project Title	PC-I Cost	Cost upto 30th June, 2024
1	2015-16	NTC Data Center with cloud services	399.500	420.081
2	2017-18	Disaster Recovery of NDC at Lahore	480.863	528.840
3	2020-21	Expansion of National Data Center at Islamabad	634.004	595.080
Total			1,514.367	1,544.001

2.1 Project Objectives

The main objectives of the projects were to provide Data Center services to the Public Sector Entities and implement the e-governance initiative of the Federal Government. The detailed objectives of the projects are as under:

- Infrastructure Hosting including Virtual Hosting and Hardware Colocation.
- Application Hosting including customer application on unified infrastructure.
- On Demand Service including DR Solution, Backup Solution, Storage on Demand etc.
- Hosted Business Solutions including Email, Intranet, Video Conferencing, CRMs and ERPs
- Website Development, Web Portal Development and Application Development.
- A Disaster Recovery with hot backup to ensure business continuity of Data Center in Islamabad.

NTC management prepared the PC-IV of the NTC Data Center with cloud services in August, 2016; however, the PCs-IV of the Disaster

Recovery Site and Expansion Projects were not yet prepared. A time overrun was also observed in both the projects as the completion dates of the Disaster Recovery Project and Expansion Project were 15th December, 2017 and 27th June, 2021 respectively which are incomplete till date.

3. Scope and Methodology

a Scope

Scope of the audit is to evaluate the impact of the NTC Data Center including Disaster Recovery Site at Lahore and Expansion of the existing Data Center at NTC Headquarters, Islamabad since the inception. The scope of the impact audit covers the assessment and achievement of the project objectives as stated in Section 2.1 above. Further, this audit also involves to determine and evaluate the achieved outputs and outcomes against the planned KPIs. Moreover, a comparison of services offered before and after establishment of the Data Center would also be conducted to evaluate its impact on the service delivery to the Public Sector Entities. Finally, the pivot of the audit will be to examine the data security arrangements made by NTC in compliance of Critical Telecom Data and Infrastructure Security Regulations (CTDISR), 2020 issued by PTA for its licensees.

b Methodology

In order to evaluate the impact, planned audit procedures were carried out at NTC Headquarters, Islamabad which included examination of PC-1 and PC-IV of the projects, revenues generated and capital expenditure incurred. Evidences regarding services offered alongwith projects' outputs & outcomes were gathered. Further, a feedback survey questionnaire was designed to collect evidences of quality of services and customers' satisfaction. Feedback of twenty-one (21) offices was obtained through manual as well as Google Forms which has been incorporated in the audit findings of this report.

4. Audit Objectives

Followings are the objectives of the Impact Audit of National Data Center.

- i. Whether the National Data Center established by NTC was successful in providing seamless and secure data services to the government departments?
- ii. How many government departments availed the data services offered by National Data Center?
- iii. How did the project contribute towards the implementation of e-governance initiative of the government?
- iv. Whether the project was able to generate sufficient income as projected in the PCs-I of the project?
- v. What was the contribution of Data Center to the national exchequer in the form of taxes?
- vi. What was the actual NPV and IRR of the project against the projected NPV and IRR?

5. Findings

Before the establishment of the National Data Center by NTC, the Public Sector Entities would acquire the Data Center services from the private sector organizations which involved huge public spending and insecurity of sensitive information of the Public Sector Entities. NTC Data Center entirely changed the spectrum of the Data Center services, began to divert the public moneys from private sector to NTC and ensured the security of the sensitive information of the Public Sector Entities.

5.1 Outputs

Before establishing the National Data Center at Islamabad, NTC was providing basic services like Web Hosting, Email and Intranet Services without cloud services and DR arrangements. After setting up the National Data Center at Islamabad and DR Site with hot backup at Lahore, NTC established Class “A”, Tier-III compliant Data Center to deliver solutions to the enterprise customers as detailed below:

S. No.	Services before Data Center	Services after Data Center
1	Web Hosting (Shared)	Web Hosting (Shared & Virtually Dedicated)
2	Email Services (Shared)	Email Services (Shared & Dedicated, Mail Server)
3	Intranet Services	Intranet Services
4	-	Infrastructure Hosting (Virtual Hosting, Hardware Co-location)
5	-	VDS Services (E-office/Web Server/IaaS/DCaaS/ Storage as a Service (SaaS))
6	-	Cloud Services
7	-	Data Center backup and Disaster Recovery solutions
8	-	Microsoft base services
9	-	International Bandwidth for client connectivity
10	-	Value Added Services e.g Managed services; (Call Center Services)
11	-	Video Conferencing (VoIP)

5.2 Outcomes

As per PC-1s, the consolidated planned and achieved outcomes of all the three projects are as under:

S. No.	Description	Outcomes Planned	Outcomes Achieved
1	Payback Period	4.4 Years	7.91 Years
2	NPV	Rs 1,072,446,265	Rs 920,202,610
3	IRR	29%	32%
4	Benefit/Cost Ratio	2.15	1.89
5	Taxes contribution	-	Rs 413 million Indirect Taxes (GST)
6	Employment generation	30 personnel	105 Outsourced staff

7	Service availability	99.982%	99.467%
8	Revenue Generation	Rs 4,040,319,422	Rs 9,354,711,501
<i>Note: Figures reported as per record provided by NTC. NPV and IRR calculations based on Average annual KIBOR Rate. Annex-VII</i>			

Average payback period of all the three projects was 4.4 years which increased to 7.91 years. The actual payback period went beyond the planned period as the projects were launched in the intervening period in addition to the delay in the start of DR Site and Expansion Phase projects. Aggregate NPV of the projects was observed to be Rs 920,202,610 against the planned aggregate NPV of Rs 1,072,446,265 upto 30th June, 2024, resulting in shortfall of Rs 152,243,655. IRR of 32% of the projects remained high as compared to the planned IRR of 29%. The benefit to cost ratio of Rs1.89:1 lagged behind the target ratio of Rs 2.15:1. However, keeping in view the growth pattern of revenue of the Data Center, its performance against the KPIs is expected to improve.

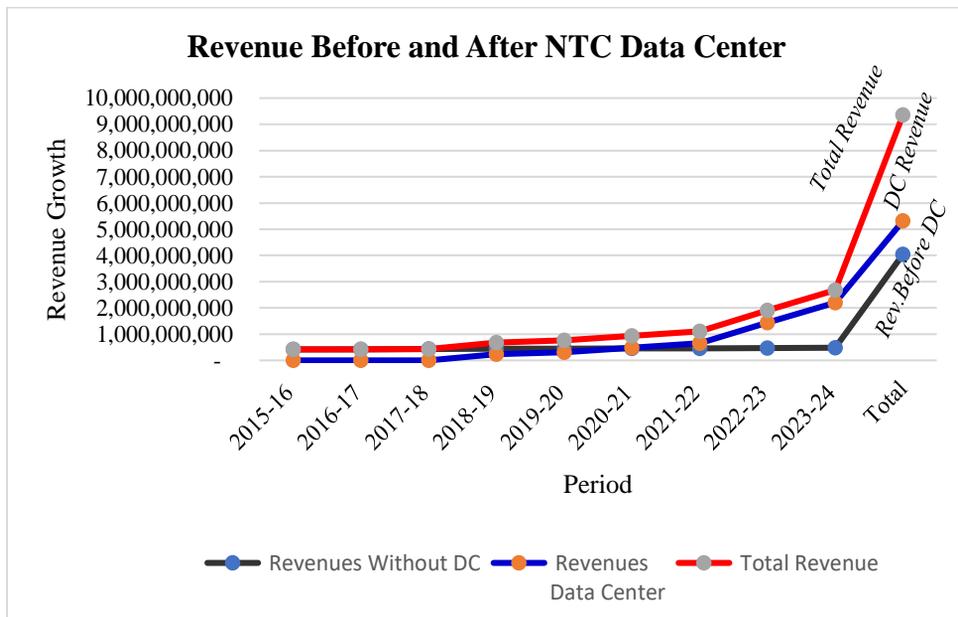
In addition to the above, the Data Center facilities were engineered for 99.982% service availability as a benchmark to deliver highly reliable and scalable data services. However, audit revealed that NTC's service availability was 99.467% which was not according to the specified standard.

Moreover, the National Data Center significantly contributed in revenue generation. The revenue forecast for the legacy services was Rs 4,040,319,422 for the period from FYs 2015-16 to 2023-24, whereas the actual revenue earned by the NTC Data Center was Rs 5,314,392,079 during the same period as depicted in the table below:

Years	Revenues without DC	Revenues Data Center	Total Revenue
2015-16	418,960,334	-	418,960,334
2016-17	423,376,473	-	423,376,473
2017-18	434,655,290	-	434,655,290

2018-19	441,616,113	233,091,201	674,707,314
2019-20	449,191,490	315,164,140	764,355,630
2020-21	456,766,866	483,001,130	939,767,996
2021-22	464,342,242	650,058,081	1,114,400,323
2022-23	471,917,618	1,436,903,942	1,908,821,560
2023-24	479,492,995	2,196,173,585	2,675,666,580
Total	4,040,319,422	5,314,392,079	9,354,711,501

The data shown in the above table has also been reflected in the following line chart which indicates that no revenue was earned from the Data Center during the period from 2015 to 2018. The Data Center witnessed a gradual increase in revenue during the period from 2018 to 2021 and an exponential increase in the revenue during FY 2022-23, where the revenue curve of the Data Center intercepts the revenue curve of traditional services as shown below:



5.3 Impact Assessment

Audit evaluated the impact/effectiveness of the data center, based on the results of the outputs and outcomes, in connection with the provision of services to the government departments, data security arrangements, cost effectiveness, implementation of the e-governance initiative of the Federal Government and standards of services offered by NTC. Audit categorized the impacts into two parts (i) Direct impact of the NTC data center (ii) Impacts created by the NTC data center through e-governance initiatives of the Federal Government under taken by NITB under Digital Pakistan Policy, 2018.

5.3.1 Direct Impact

5.3.1.1 Users of the Data Center

Sixty-seven (67) customers including education, health, social safety net, statistical departments and law enforcement agencies were using the services of the Data Center. NTC was also providing the Data Center services to private organizations like M/s Khazana Enterprise Limited (KEL), Valentia Technologies Limited, Ireland and M/s Schlumberger Seaco Inc., which was against the mandate of NTC under the Pakistan Telecom Re-Organization Act, 1996.

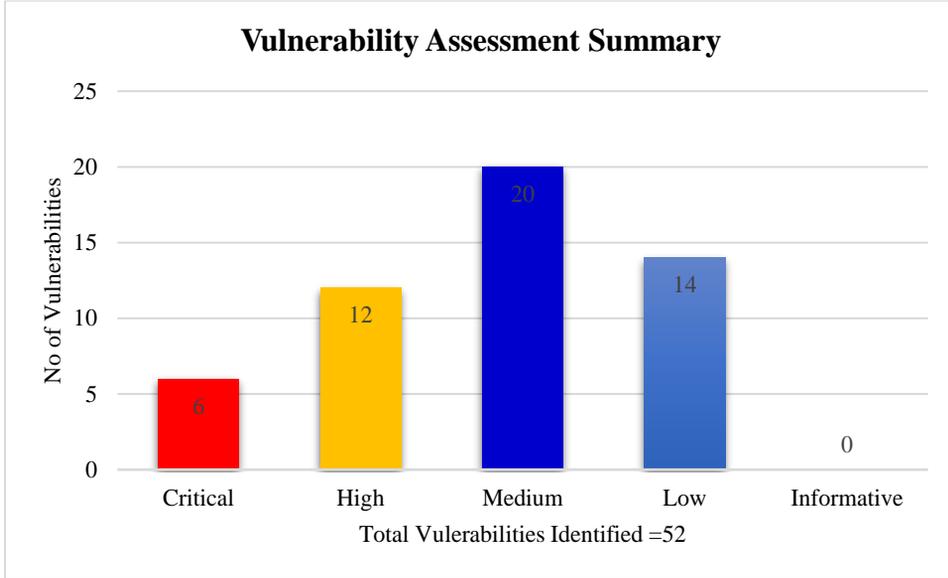
5.3.1.2 Data Security

The impact of NTC data center on data security was assessed in the light of Critical Telecom Data and Infrastructure Security Regulations (CTDISR), 2020 and National Telecom Cyber Security Framework, 2022 issued by PTA. In 2022, after grace period of one year, PTA directed to its licensees to conduct 3rd party assessment from PTA approved audit firms. Thereafter, PTA conducted a revalidation audit of top telecom operators and classified the CTDISR controls under three Control Levels (CL1 to CL3) for basic security controls and advanced with continuous improvements controls respectively. PTA developed Control Levels in accordance with the categories of licensees and placed NTC at Category-I as detailed below:

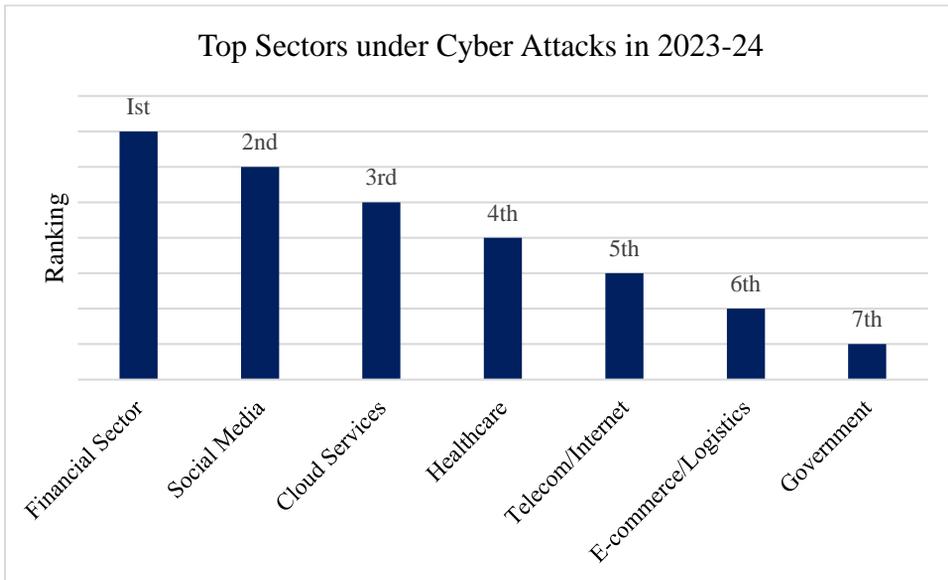
S. No.	Categories	Operators	Control Level
1	Cat-I	CMOs and Large Operators with Multiple Licenses	CL3
2	Cat-II	Large Operators	CL3
3	Cat-III	Medium and LDI Operators	CL2
4	Cat-IV	Small Operators	CL1

According to independent assessment of M/s SGS Pakistan conducted in May, 2022, out of 104 CTDISR controls, NTC was fully compliant to 92 controls, partially compliant of 02 and non-compliant of 10 controls. After revalidations of SGS findings, PTA assigned Risk Score/Overall Compliance Percentage of 74.01% and found NTC partially compliant to CL3 with existence of high residual risk. In Nationwide Telecom Cyber Security Index for 2022 issued by PTA, out of 12 major operators of Category-I and II, NTC was ranked 9th in CTDISR Compliance Ranking. Further, NTC failed to comply with the CTDISR requirement of getting the 3rd party audit of Data Center in 2023 and its revalidation from PTA; therefore, NTC was not included in its compliance ranking of 21 operators issued for 2023 and initiated regulatory action against the default.

During February to March 2024, NTC conducted the Vulnerability Assessment and Penetration Testing (VAPT) of its external infrastructure for identifying potential vulnerabilities and weaknesses. The report identified the following 52 vulnerabilities which could not be resolved by NTC.



PTA in its Cyber Security Report 2023-24 issued on 6th November, 2024 identified top sectors under cyber- attack wherein the cloud service provider and telecom operator ranked at 03 and 05. The sector wise ranking is shown below:



5.3.1.3 Cost Effectiveness

Despite the limitations of differences between the negotiable pricing and policies of private data centers and fixed tariffs of the government data centers, audit conducted a comparative analysis of Infrastructure-as-a-Service (IaaS) and VDS Hosting services of NTC data center with that of M/s Garaj (Jazz) and M/s MyCloud (Multinet) as detailed below:

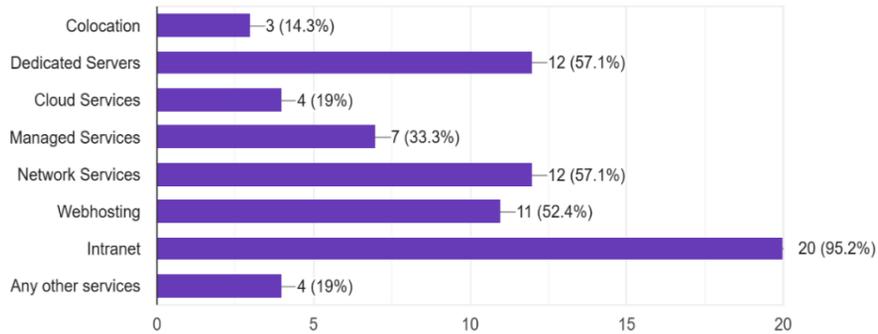
Audit observed that NTC's rates for Infrastructure-as-a-Service (IaaS) were not competitive as compared to Garaj (Jazz) and MyCloud (Multinet). NTC was charging Rs 29,000/Month for IaaS, whereas M/s Garaj and MyCloud are providing the same services at Rs 14,748 and Rs 24,920 per month respectively which indicated that tariff of the NTC Data Center were almost 100% higher than the rates of the lowest private service providers. Further, audit observed that VDS hosting rates of NTC were Rs 472,500 per annum as compared to Rs 403,000 per annum offered by MyCloud which were 17.3% higher. Rate comparison is given in **Annex-VIII**

5.3.2 Customers' Feedback for Quality of Service

A Customer Feedback Questionnaire was circulated among sixty-seven (67) customers of the NTC Data Center, out of which twenty-one (21) departments (31.3%) responded through manual as well as Google Survey forms. In response to a question regarding the use of services in NTC Data Center, 95.2% customers responded that they were using Intranet, 57.1% informed about Dedicated Servers and Network Services and 19% apprised that they were using Co-Location & Cloud based services of the Data Center as depicted in Fig-1 below:

Which services on NTC Data Center do you primarily use (Select all the relevant services)

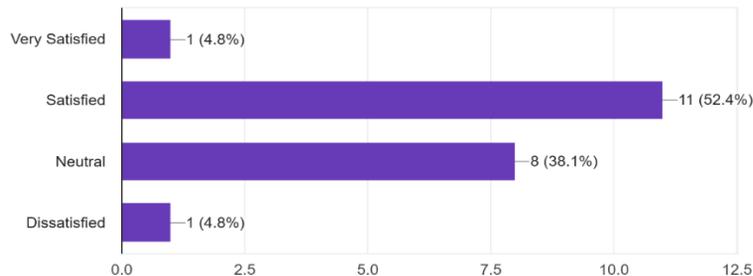
21 responses



To evaluate the Service Uptime efficiency and seamless services of the Data Center, a qualitative as well as quantitative approach was adopted where the customers were asked about the overall service availability of the NTC Data Center. About 52.4% (11) customers showed their overall satisfactions and 38.1% (08) customers, being neutral, were not decisive about the overall service availability of the Data Center as depicted in Fig-2 below:

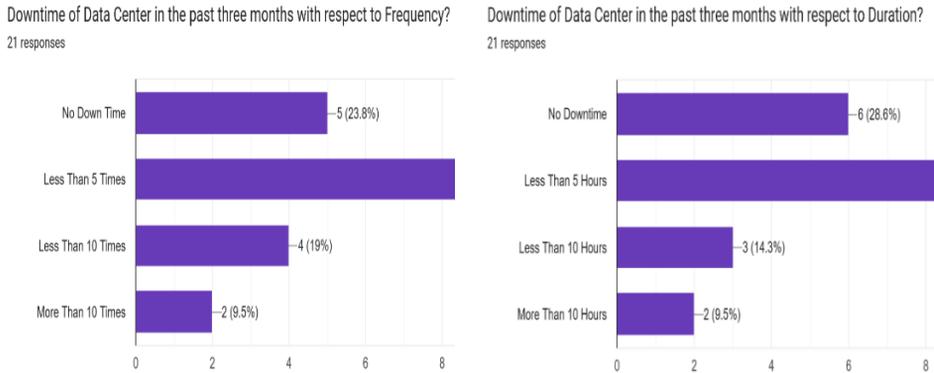
How satisfied are you with the overall uptime of the Data Center services

21 responses



The quantitative measurement of the service uptime was carried out against the average number of times and hours, the services remained unavailable during the last three months. The data gathered was evaluated against the benchmark of 99.982% for the Tier-III Data Center as prescribed by the Uptime Institute that allows approximately 1.6 hours of annual

downtime. The data was obtained through two questions regarding average number of times and average number of hours the services remained unavailable during the last three months as depicted in Figures 3 &4 below:



The data obtained through the questionnaire was converted into simple frequency distribution for calculating the total average number of hours per quarter during which the service remained un-available. Then the service uptime was calculated to compare with the benchmark of 99.982% being the KPI for service uptime as detailed below:

a. Average Number of Times the service remained unavailable during last three months:

No of Downtime	Mid Points x	No of Customers (f)	Fx
0-5 Times	2.5	15	37.5
05-10 Times	5	4	20
10-15 Times	7.5	2	15
Total		$\sum f=21$	$\sum fx=72.5$

Average No. of Times

$$\text{for service Un-availability } = \bar{x} = \frac{\sum fx}{\sum f} = \frac{72.5}{21} = 3.452$$

=3.452 Times

b. Average Number of Hour the services remained unavailable during last three months

No of Hours Downtime	Mid Points x	No of Customers (f)	Fx
0-5 Hours	2.5	16	40
05-10 Hours	5	3	15
10-15 Hours	7.5	2	15
Total		$\Sigma f=21$	$\Sigma fx=70$

Average No. of Hours

for service Un-availability
$$\bar{x} = \frac{\Sigma fx}{\Sigma f} = \frac{70.0}{21} = 3.33$$

=3.333 hours

Total Average No. of Hours-of-Service Unavailability in Last three Months=3.45x3.33=11.51 Hours

c. Service Uptime (Uptime %) = $\left(1 - \frac{\text{Down Time}}{\text{Total Time}}\right) \times 100$

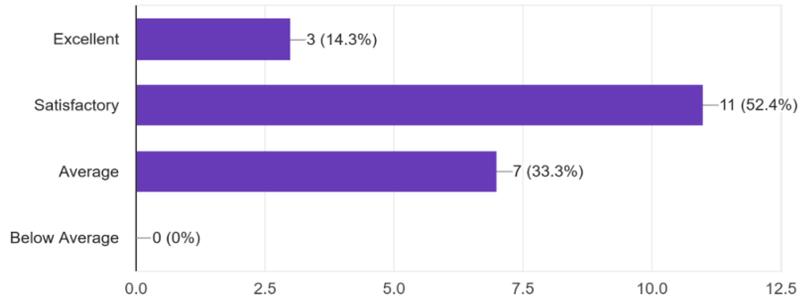
$$= \left(1 - \frac{11.51}{2160}\right) \times 100$$

=99.467% < 99.982%

Above calculations indicate that the service uptime requirement was not upto the mark. The service uptime of the Data Center remained 99.467% against the benchmark of 99.982%. According to the benchmark, total time in a year was 8,760 hours (365 x 24) and maximum allowable annual downtime was 1.6 hours, hence the benchmark of 99.982%, if converted into annual hours, became 8,758.4 (8,760-1.6) hours annually. The service uptime of 99.467% observed in respect of the NTC Data Center, when converted into annual number of hours, became 8,713.31hours which if compared with benchmark time of 8,760 hours, gave a total downtime of 46.69 (8,760 - 8,713.31) hours during the whole year.

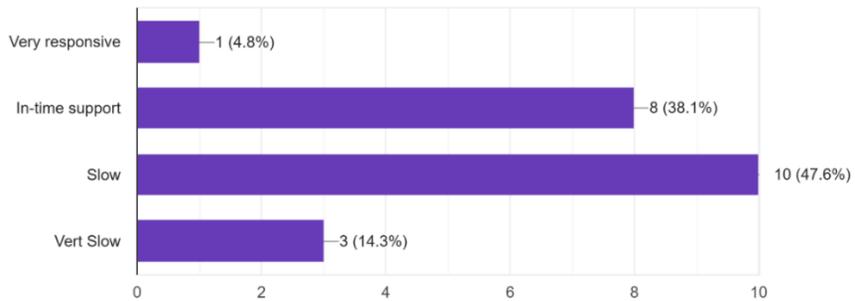
In response to a question regarding the performance of Data Center in terms of speed, latency and throughput, 52.4% respondents showed their satisfaction, 33.3% rated the services as “Average” and 14.3% considered the services as “Excellent” as depicted in Figure-5 below:

Rate the performance of services of Data Center in terms if (speed, latency, and throughput)
21 responses



About the responsiveness of the customer support by NTC, 47.6% reported the customers services as slow, 14.3% considered the customer support very slow and 38.1% rated the customer support “In-Time) as shown in Figure-6 below:

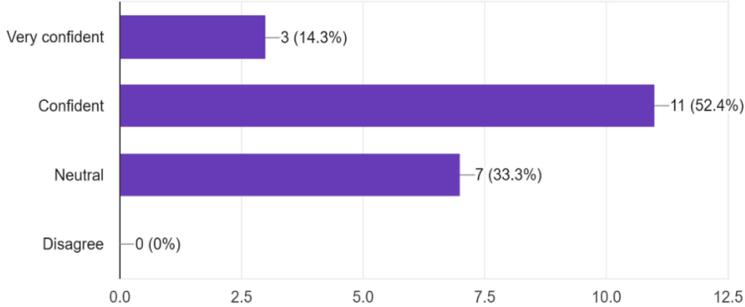
How would you rate the responsiveness of customer support?
21 responses



In response to customers’ feedback about data security measures of NTC Data Center, 52.4% were confident, 33.3% were “Neutral” and only 14.3% customers were “Very Confident” as shown in Figure-7 below:

How confident are you about the security measures implemented by the Data Center?

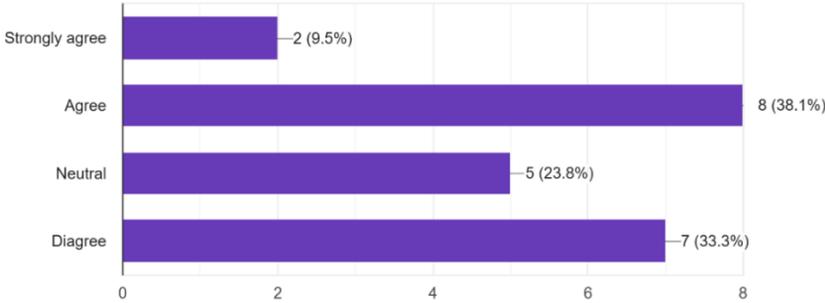
21 responses



Lastly, while responding to a question regarding cost effectiveness of the services in comparison to the competitors, 57.1% were either “Neutral” or were of the view that the services were not cost effective; however, 48% opined that services of the Data Center were cost effective as depicted in Figure-8 below.

Do you feel that the services of the data center bring value for money (cost effectiveness) in comparison to competitors?

21 responses



5.3.3 Impact through e-governance initiatives

The establishment of the National Telecommunication Corporation (NTC) Data Center was a transformative milestone in Pakistan's digital governance journey as it was the first ever data center established for providing a platform to those government departments which could not establish their own data centers due to budgetary constraints. Key components alongwith digitization intent of the Federal Government included infrastructure development, e-governance, e-agriculture, e-health, e-energy, e-commerce, e-justice and cloud computing & big data.

NTC data center provides digital solutions to 67 government departments including major entities like BISP, CDNS, FPSC and PIA among the others but audit selected NITB for impact assessment as most of the policy initiatives (e-initiatives) of the Federal Government are being implemented by NITB which is the major customer of NTC Data Center.

(A) NITB Initiatives before establishment of NTC Data Center (2013-2015)

From 2013-2015, NITB successfully rolled-out e-office suite in 15 Federal Ministries/Divisions including Prime Minister House, National Assembly Secretariat, Cabinet Division, Establishment Division, Foreign Affairs Division, Planning Division, Finance Division, Interior Division, Ministry of Information and Telecommunication etc. More than 3500 Federal Government employees have been trained on E-Office Application. NITB also implemented the Prime Minister's Internship Programme, Personnel Management Information System, Overseas Complaint Management System and Investors Management Information System for Board of Investment through the data center of PTCL.

(B) NITB initiatives after establishment of the Data Center by NTC (2016-17 Onwards)

In 2016-17, NITB switched its e-office suite and all other initiatives to Tier-III data center of NTC and scaled up the e-office initiative to 42 federal government organizations. Since 2016-17, after switching to NTC

data center, NITB has undertaken various initiatives with key features and impacts in different fields of life as under:

i. E-Office application

E-Office application is transforming the government departments from traditional paper-based processes to a dynamic, digital workspace. Designed to improve internal efficiencies, the platform eliminates the delays associated with physical file movement and manual handling of documents. By enabling authorized personnel to instantly locate, update, and share files, E-Office not only accelerates decision-making but also minimizes risks such as theft and misplacement of crucial documents. This digital solution empowers government agencies to focus on strategic priorities while realizing significant cost and time savings. Following are the impacts of E-Office Application:

- ✓ Forty-two (42) federal government organizations are using e-office suite.
- ✓ 6760 government employees are actively using the platform.
- ✓ Hosting 67,998 files and 407,097 documents.
- ✓ Disaster Recovery Capacity supports up to 500 million data points by providing security.
- ✓ Digital Transition has resulted in saving upto Rs 300 million on stationery costs.
- ✓ Departments are achieving upto an 80% reduction in operating time.
- ✓ Data availability is just one click.

ii. Apostille Service

The Apostille Service, developed by NITB with the help of NTC Data Center, is a digital system designed to authenticate official documents for international use. It streamlines the attestation process and eliminates the need for lengthy verifications. This service is essential for individuals requiring document authentication for education, employment, immigration, or legal purposes abroad. The impact of the apostille service is that 66909

attestations were processed with the breakup of attestations at Islamabad as 48267, Karachi 4534, Lahore 10810, Peshawar 680, Gujrat 2596 and Quetta 22 respectively.

iii. Pakistan Citizen Portal

The Citizen Portal, developed by NITB in connection with NTC data is a digital platform that enables citizens to register complaints, provide feedback, and communicate directly with government authorities. It streamlines grievance redressal by ensuring transparency, accountability, and swift resolution of public issues. Users can track the status of their complaints in real time, reducing bureaucratic delays. The portal integrates with various government departments, allowing seamless coordination and efficient service delivery. It played a vital role in e-governance, improving service efficiency and reducing manual intervention with the following impacts:

- ✓ Total complaints registered were 6052791 and complaints resolved were 5974343.
- ✓ New complaints received were 66161 while complaints in process were 12287.
- ✓ Escalated complaints were 11350 and super escalated complaints were 30937.
- ✓ Satisfied users were 1689301, unsatisfied were 1922472 and warnings Issued were 3976.
- ✓ Total feedbacks received were 3611777 and feedbacks resolved were 1167361.
- ✓ Feedbacks partially resolved were 607401 and not resolved were 1837005.

iv. Prime Minister Youth Programme

By using the platform of NTC Data Center, NITB developed an online portal for the Prime Minister Youth Program (PMYP) where youth could apply for loans, track their applications and share feedbacks. With its new AI-powered extension, the portal now included a public dashboard that provided limited access to data and trends. The platform served as a unified

space for candidates, employers, and scholarship donors. The PMYP was designed for Pakistani youth within the age range of 18 to 45 years, aiming to empower them through entrepreneurship, skill development and employment opportunities in IT and e-commerce ventures, thereby contributing to national development with the following impacts:

- ✓ 600000 laptops were distributed since 2013 and 00000 laptops will be distributed during 2024-25.
- ✓ Rs 186 billion funds were disbursed to more than 281567 beneficiaries since 2013.
- ✓ 14000+ Internship opportunities were offered nationwide.

v. National Job Portal

The National Job Portal developed by NITB based on NTC data center is an initiative of the Federal Government aimed at streamlining the job search process for individuals seeking employment in the public sector. It serves as a centralized platform where job seekers can find and apply for government positions across various departments and ministries with the following impact.

- ✓ 185 employers were registered with the portal.
- ✓ 27.566 million were unique visitors of the portal.
- ✓ 1562595 Resume/CVs were received.
- ✓ 7.1 million applications of job seekers were received.
- ✓ 1200+job ads were published.
- ✓ 1562000 candidates had created their accounts and 22999 vacancies were archived.

vi. City Islamabad App

The City Islamabad App developed in collaboration with the Islamabad Capital Territory (ICT) Administration, is a comprehensive mobile application designed to streamline access to various public services for the residents of Islamabad. Launched in 2020, the app serves as a bridge between citizens and government departments, offering a user-friendly

platform to access over 40 services across multiple sectors with the following impacts.

- ✓ 138366 Domicile applications were processed.
- ✓ 68126 International driving permits (IDPs) were issued.
- ✓ 907420 Token tax transactions were executed.
- ✓ A revenue of Rs 1,244,655,539 was generated through token tax.
- ✓ The app was downloaded by 500000 android and 100000 IOS platforms.

vii. Pak Hajj App

Pak Hajj application launched on 20th December, 2023 supports Pakistani pilgrims by streamlining logistics with essential tools, making their pilgrimage smoother and more spiritually fulfilling. Following was the impact of the initiative:

- ✓ 100+ notifications were broadcasted.
- ✓ 70000 pilgrims downloaded the app.
- ✓ Rating of the app was 4.5/5.

6. Conclusion

The establishment and expansion of the National Data Center (NDC) with its associated Disaster Recovery Site represents a significant milestone in modernizing IT infrastructure for e-governance in Pakistan. Despite encountering delays and challenges, the project made considerable strides in improving service offerings, enhancing data security, and contributing to the national exchequer. The transition from basic web hosting to advanced cloud-based services with high availability significantly enhanced the service portfolio. Besides, the NTC Data Center supports 67 Public Sector entities, significantly aiding the implementation of the Federal Government's e-governance initiative. However, there are certain areas of the project where it lags behind to attain the set KPIs and need improvements. For instance, the service uptime (99.467%) falls short of the Tier-III benchmark of

99.982%, indicating room for operational optimization. Though the project exceeded the expectations of the revenue generation by accumulating a total revenue of Rs 5,314.392 million from data center, showcasing its commercial viability, yet the extended payback period of 7.91 years as compared to the planned 4.4 years highlights the impact of project delays on financial outcomes. Moreover, the provision of services to private organizations, contrary to NTC's mandate, warrants review for regulatory compliance. While most users express satisfaction with service availability and data security, there are concerns regarding customer support responsiveness and cost competitiveness of services which need to be addressed to strengthen customer trust and market positioning. Delays in the completion of the Disaster Recovery Site and Expansion projects, which have financial and operational implications, suggest a need for better project governance and oversight.

By and large, the NDC initiative contributed in the consolidation of nation's IT infrastructure and achievement of the e-governance goals despite operational and governance challenges. However, NTC management needs to improve compliance with CTDISR regulations for data security being custodian of the sensitive information of the Public Sector entities. With targeted improvements, NTC Data Center can contribute to the strategic goal of digital transformation of the Federal Government.

ANNEXURES

Annexure-I**MFDAC PARAS****(Rs in Million)**

S. No.	PDP No	Subject	Amount
1.	PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)		
1.	259-25	Non-vetting of PTA Employees Service Regulations from Establishment Division.	0
2.	260-25	Unjustified payment of Rest & Recreation allowance	55.907
3.	263-25	Non-imposition of penalty on illegal operations of mobile telecommunication services	350.000
4.	265-25	Irregular appointments and regularization of services	28.933
5.	266-25	Irregular Procurements in violation of Finance Division's Instruction.	21.378
6.	267-25	Loss to national exchequer due to non-inclusion of data center in licensing regime under PTR A	0
7.	270-25	Un-authorized deduction of Administrative Surcharge on AJ&K and GB contributions of LRF.	102.828
8.	273-25	Unauthorized/unjustified payment on account of proficiency incentive & eid reward.	412.677
9.	274-25	Illegal expenditure on hiring of services of Legal Counsel.	4.494
10.	275-25	Non-deposit of non-tax revenue into FCF.	17.159
11.	276-25	Non-deposit of non-tax revenue into FCF.	2.632
12.	279-25	Irregular payment of pay & allowances without the approval of Finance Division.	18/64.99
13.	280-25	Unauthorized increase in gross pay and its incremental effect on allowances without the approval of Finance Division.	219.669
14.	281-25	Unauthorized operation of digital financial services without having valid license.	0

15.	282-25	Unauthorized grant of licenses and non-fulfilling the license condition regarding roll out obligation.	5.566
16.	283-25	Failure to fill the vacant position and unjustified assignment of additional charge	2.656
17.	284-25	Irregular award of project and expenditure without approval of the DWP.	100.806
18.	285-25	Irregular posting of PTA officer on deputation to CDA.	7.429
19.	287-25	Non-transfer of balances to central account-1 after adoption of TSA	4,142.192
20.	288-25	Non-resolution of litigation cases of government revenues.	69,000
21.	289-25	Non-preparation of performance-based budget.	5,136.910
22.	291-25	Unauthorized extension of EOL without receiving the cheques for advances.	5.332
23.	292-25	Unjustified appointment of consultant media.	0.600
24.	293-25	Irregular promotion of officers upon retirement and excess payment	1.497
25.	294-25	Non-conduct of Technical Quality of Service (QoS) survey of Fixed Broadband services testing and reporting .	0
26.	295-25	Irregular appointments without availability of posts and payment of pay & allowances .	9.709
27.	296-25	Non-maintenance of Critical I.T Assets Register of Data Center.	100.806
Total			78,733.172

(Rs in Million)

S. No.	PDP No	Subject	Amount
2.	FREQUENCY ALLOCATION BOARD (FAB)		
1.	217-25	Non-compliance of instructions of Establishment Division of service Rule.	0
2.	218-25	Un-authorized usage of Radio Frequency Spectrum by Telecom Operators.	0
3.	220-25	Non-recovery of rent from PTCL.	0.163

4.	221-25	Gratuity Fund deficit due to non-provision of funds by PTA.	76.644
5.	222-25	Un-secured House Building Advance.	95.449
6.	223-25	Less deduction of income tax from salary of Project Director.	0.291
7.	224-25	Unauthorized increase in basic pay	148.139
8.	225-25	Non-deduction of income tax on mobilization advance .	20.572
9.	226-25	Non-deposit of savings into FCF.	25.002
10.	227-25	Irregular appointment of Project Director & Consulting Firm.	25.692
Total			391.952

(Rs in Million)

S. No.	PDP No	Subject	Amount
3.	NATIONAL RADIO & TELECOMMUNICATION CORPORATION (PVT.) LIMITED (NRTC)		
1.	183-25	Unjustified payment of earnest money / bid security.	120.624
2.	184-25	Irregular welfare educational expenditure.	24.251
3.	188-25	Loss due to non-receipt of excess paid amount against purchase of vehicle for CTD.	2.901
4.	189-25	Inadequate planing and formulation of Capital Expenditure Budget.	4,657.886
5.	190-25	Loss to NRTC on account of taxes.	207.326
6.	192-25	Blockage of funds due to non-release of expired bank guarantees.	30.454
7.	193-25	Loss due to delayed remittance by bank to the supplier	8.743
8.	195-25	Non-delivery & installation of equipment.	1,076.556
9.	199-25	Non-recovery of amount against delivered stores from foreign buyers	194.061
10.	200-25	Non-refund of income tax from FBR	126.325
Total			6,449.127

(Rs in Million)

S. No.	PDP No	Subject	Amount
4.	TELEPHONE INDUSTRIES OF PAKISTAN (TIP)		
1.	02-2025	Unauthorized transfer of TIP Fund into NBP Operational Account.	837.150
2.	07-2025	Unjustified grant of cash imprest.	119.864
3.	11-2025	Non-appointment of Independent Directors in TIP Board.	0
4.	13-2025	Irregular Investment of funds.	1.421
5.	15-2025	Unjustified composition of Board of Director.	0
6.	18-2025	Irregular expenditure incurred on CA firm without concurrence of AGP.	1.065
7.	20-2025	Non-receipt of profit margin and utility charges.	4.488
8.	21-2025	Non-recovery of electricity and water charges.	0.450
9.	22-2025	Un-justified award of work without tendering.	1.981
Total			2,385.998

(Rs in Million)

S. No.	PDP No	Subject	Amount
5.	ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL (ECAC)		
1.	24-2025	Un-authorized retention of receipt in Investment Account.	1.873
2.	27-2025	Non formulation of gratuity fund Rules and payment.	0.078
3.	28-2025	Non-preparation / maintenance of accounts and appointment of commercial auditors.	0
4.	29-2025	Non-achievement of objectives by ECAC.	0
5.	30-2025	Non-Compliance of the Council directions.	0

6.	31-2025	Non-finalization of application of M/s DCCL within prescribed time.	0
7.	32-2025	Irregular appointment of Chairman of the Council.	0
8.	34-2025	Non-establishment / existence of Pre-audit & Internal Audit Cell.	0
9.	35-2025	Non-maintenance / preparation of books of accounts.	0
Total			1.951

(Rs in Million)

S. No.	PDP No	Subject	Amount
6.	IGNITE NATIONAL TECHNOLOGY FUND & COMPANY		
1.	46-25	Unjustified purchase of Laptops .	8.503
2.	47-25	Irregular transfer/sale of moveable assets of NIC (LUMS) Lahore.	23.171
3.	48-25	Non-recognition of revenue earned by NIC in the company's books of accounts.	18.237
4.	49-25	Irregular / unjustified release of withheld cost of HVAC rental	6.500
5.	50-25	Irregular utilization of NICs revenue.	2.352
6.	53-25	Unjustified expenditure on pre-bid meetings held at bidder's premises.	1.272
7.	54-25	Irregular utilization of NIC's revenue for HR and travel expenditure.	5.087
8.	55-25	Irregular transfer of vehicles to Virtual University.	4.073
9.	56-25	Wastage of public funds due to improper scrutiny of credentials and delay in appointment of regular CEO.	9.377
10.	57-25	Unjustified hiring of additional space in TF complex at higher rates	43.622
11.	58-25	Unauthorized/excess expenditure account of employees' benefits.	57.79
12.	59-25	Non-declaration of assets by directors and senior management officers.	0
13.	60-25	Non-appraisal of CEO's performance for the term of appointment by the Board.	0

14.	61-25	Irregular hiring of manager project evaluation.	4.889
15.	62-25	Loss due to poor performance of startups/ incubates .	424.999
16.	63-25	Irregular payment of pay & allowances to the Director attached to MoITT.	6.687
17.	64-25	Non-preparation of internal audit reports and non-appointment of CIA.	0
18.	65-25	Wastage of public funds due to withdrawal of decision for establishment of sub-office Karachi.	0.397
19.	66-25	Irregular procurement due to non-preparation and approval of procurement policy.	0
20.	67-25	Non-utilization of research& innovation budget	417.52
21.	68-25	Non-preparation of business plan and its submission to Federal Government/ central monitoring unit.	0
22.	69-25	Non-utilization of Budget– Rs1,682.16 million and accumulation of Un-used funds.	1682.16
23.	70-25	Irregular expenditure on events management.	166.317
24.	71-25	Irregular grant of additional charge of CEO.	0
25.	72-25	Irregular award of contract to M/S Pakistan Service Limited.	54.998
26.	73-25	Lapse of funds against PSDP project.	4.914
27.	74-25	Irregular purchase of laptops/ printers.	5.508
28.	75-25	Irregular payment of TA/DA on foreign visits.	42.249
29.	77-25	Unauthorized payment of additional allowance to Project employees.	2.426
30.	78-25	Non-preparation of audited accounts and annual report to be submitted to National Assembly.	0

31.	79-25	Non-reconciliation of R&D Fund contributions with Authority.	0
Total			2993.048

(Rs in Million)

S. No.	PDP No	Subject	Amount
7.	NATIONAL TELECOMMUNICATION CORPORATION (NTC)		
1.	110-25	Mis-procurement of Samsung Tablets	11.780
2.	111-25	Mis-procurement due to non-observance of most advantageous bid rule.	428.526
3.	112-25	Irregular execution of development work without approved PC-I	48.661
4.	113-25	Imprudent execution of contract and non-fulfilment of contractual obligations.	34.543
5.	114-25	Unjustified change in scope of work in PC-I.	16.881
6.	116-25	Unauthorized procurement of Cloud Based Call Centre Solution.	16.881
7.	117-25	Irregular execution of hardware and software solution for Data Center.	315.773
8.	118-25	Unauthorized procurement of CLI sets on Rate Running Frame agreement.	14.868
9.	119-25	Unjustified procurement of equipment at high prices-Rs 16.581 million.	16.581
10.	124-25	Unauthorized financial approval by GM (Finance).	116.862
11.	125-25	Non-recovery of testing fee from the candidates.	1.541
12.	126-25	Illegal recruitment of Engineering Supervisor.	0.600
13.	127-25	Non-provision of valid bid security in accordance bidding document.	5.00
14.	129-25	Irregular and poor execution of pre-deposit work.	122.450
15.	131-25	Non-revision of Delegation of Administrative and Financial Powers.	0
16.	132-25	Non-approval of Annual Audited Financial Statements and Annual Reports from NTC	0

		Management Board and submission to the FG.	
17.	133-25	Unauthorized payments made without approval of the competent authority.	133.976
18.	134-25	Incomplete record of I.T asset registers of Data Centers.	1,850.722
19.	135-25	Non-preparation of Business Plan and submission to the Management Board.	0
20.	136-25	Non-approval of procurement policy from the Federal Government.	0
21.	139-25	Unauthorized conduct of office business on Ad-hoc basis.	0
22.	140-25	Unauthorized payment without approval of GM Finance.	25.170
23.	141-25	Non-achievement of ADP targets.	644.886
24.	202-25	Mis-procurement of Air Conditioners.	2.582
25.	204-25	Procurement in violation of Finance Division Instructions.	3.673
26.	206-25	Non-uploading of Bid Evaluation Report on PPRA web site.	10.291
27.	208-25	Non-compliance of contract agreement with M/s TCS and payment thereon.	0.655
28.	209-25	Un-justified deduction of WHT on share of electricity charges by tenant.	5.769
29.	210-25	Unauthorized expenditure incurred on hiring of staff over and above the sanctioned strength.	2.746
30.	211-25	Inadmissible payment of salary.	4.608
31.	212-25	Unauthorized financial concurrence/sanctions by GM (North).	64.631
32.	231-25	Recurring Loss due to non-renting of available space of NTC.	27.654
33.	232-25	Unauthorized expenditure incurred on hiring of staff over and above the sanctioned strength.	12.605
34.	233-25	Unauthorized expenditure incurred over and above the budget allocation.	2.744
35.	234-25	Non-claiming of Input tax.	1.296

36.	236-25	Blockage of public money due to excessive procurement of stores.	174.982
37.	237-25	Irregular financial concurrence/ sanctions by GM.	324.846
38.	243-25	Irregular expenditure on outsourced staff beyond the sanctioned strength.	2.389
39.	244-25	Non-recovery of LD charges from suppliers.	38.873
40.	246-25	Discrepancies in booking of revenue.	376.190
41.	247-25	Irregular extension of agreement for more than 3 years.	2.262
42.	248-25	Non-auction of off-road vehicles.	0.465
43.	249-25	Unauthorized expenditure incurred against payment of security guards.	25.247
44.	250-25	Less deduction of Sale tax.	2.140
45.	255-25	Irregular expenditure on purchase of Modems.	0.749
46.	256-25	Recurring loss due to idle capacity.	55.267
47.	257-25	Unjustified expenditure incurred on salary of Network Administrator.	1.080
Total			4,949.445

(Rs in Million)

S. No.	PDP No	Subject	Amount
8.	SPECIAL COMMUNICATIONS ORGANIZATION (SCO)		
1.	36-25	Un-authorized payment of commission to franchisees.	211.092
2.	37-25	Un-authorized retention of revenue.	143.174
3.	39-25	Non-recovery of outstanding dues against telephone subscribers.	0.876
4.	40-25	Irregular expenditure on building works.	3.325
5.	41-25	Irregular expenditure on repair of vehicles & exchanges.	5.029

6.	42-25	Irregular purchase of stationery without tender.	0.918
7.	43-25	Unauthorized payment through cash instead of cheques.	10.241
8.	44-25	Less deduction of withholding tax on services.	0.594
9.	142-25	Non-achievement of project objectives due to inadequate planning and execution	6,288.91
10.	144-25	Imprudent decision for non-contribution to Universal Service Fund (USF).	0
11.	145-25	Un-authorized payment before execution of work.	224.999
12.	151-25	Irregular utilization of development funds and unverified inventory.	250.590
13.	153-25	Irregular award of OFC work and overpayment thereof.	143.754
14.	154-25	Un-justified payment of price adjustment	143.534
15.	156-25	Unauthorized procurement of unapproved BoQ items including overpayment	39.088
16.	157-25	Irregular utilization of savings under Employee Related Expenses.	35.719
17.	161-25	Un-justified payment of sales tax on services.	66.878
18.	163-25	Irregular expenditure without approval of competent authority.	93.600
19.	164-25	Irregular procurement of optional items.	49.342
20.	165-25	Non/less deduction of discount from bills of contractor.	45.491
21.	167-25	Expenditure incurred with non-compliance of procurement rules.	345.525
22.	172-25	Irregular appointment of Engineer.	2.160
23.	215-25	Irregular appointments of staff without PC-1.	2.243
24.	216-25	Non availability of ownership documents of land.	1.100
25.	230-25	Non-recovery of penalty from Askari Bank.	0.591
26.	238-25	Irregular expenditure on repair of generators & purchase of stationery .	2.976

27.	239-25	Irregular expenditure on purchase of physical assets.	0.821
28.	240-25	Irregular payment through cash instead of cheques.	14.503
29.	241-25	Non deduction of Income Tax.	51.140
30.	252-25	Irregular expenditure on appointment of staff against development projects.	4.774
Total			8,182.987

(Rs in Million)

S. No	PDP No	Subject	Amount
9.	UNIVERSAL SERVICE FUND (USF)		
1.	90-25	Irregular payment of pay & allowances	27.947
2.	92-25	Unauthentic payment to External Auditors.	1.300
3.	94-25	Non-imposition of LD charges due to unjustified grant of force majeure to PTCL.	19.771
4.	95-25	Unauthorized payment of day care allowance .	0.355
5.	101-25	Non-reconciliation of USF contributions.	9,587.154
6.	103-25	Project de-scoping w/o approval of Board	609.072
7.	106-25	Undue favor granted to the service provider by approving a deficient uptime benchmark.	0
Total			10,245.599

Annexure-II

Refer to Para No 1.5.1 (PTA)

Detail of non-recovery of outstanding dues from telecom operators till expiry of licenses-Rs 89,162,921 million

S. No.	Operator	Particulars	Principal Amount (Rs)	LPAF (Rs)	Total (Rs)
1	World Call Ltd	ISF	1,021,500,000	2,737,238,500	3,758,738,500
		ARFSF	474,118,153	711,062,113	1,185,180,266
		ALF	75,358,932	97,785,747	173,144,679
		Others	7,525,975	42,177,177	49,703,152
2	Telecard Ltd	ISF	1,174,893,910	3,471,941,997	4,646,835,907
		ARFSF	-	7,392,697	7,392,697
Sub-Total (A)			2,753,396,970	7,067,598,231	9,820,995,201
Sr.	Operator	Particulars	Principal	LPAF	Total
1	World Call	R&D Fund	49,096,656	89,175,779	138,272,435
		USF	176,606,904	359,690,318	536,297,222
2-10	APC FOR USF	Telecard	1,766,190,453	3,665,878,863	5,432,069,316
		Redtone Telecom	2,674,992,227	5,921,156,968	8,596,149,195
		ADG LDI	4,118,807,003	9,465,036,359	13,583,843,362
		Dancom Pak Pvt	-	533,347,079	533,347,079
		Wise Communication	3,744,346,403	8,993,056,226	12,737,402,629
		Circle Net	775,033,856	1,652,501,953	2,427,535,809
		Wateen Telecom	3,592,238,011	8,547,557,483	12,139,795,494
		4B Gentel Int.	2,052,146,352	3,977,194,481	6,029,340,833
		Multinet Pak Pvt Ltd	941,532,127	2,121,594,218	3,063,126,345
		10	Multinet Pak Pvt Ltd	4,468,856,849	9,655,889,487
Sub-Total (B)			24,359,846,841	54,982,079,214	79,341,926,055
Grand Total (A+B)			27,113,243,811	62,049,677,445	89,162,921,256

Annexure-III

Refer to Para No 1.5.2 (PTA)

**Detail of overcharging on various mobile packages to consumers by
M/s Jazz - Rs 6,583.6904**

Date of Approval	Package Name	Old Rate	Approved Rates	Prospective Consumers (As per Jazz)	Rate on 08.11.24 (Website)	Monthly Over Charging	Overcharging From Last Approval Date
1	2	4	5	6	7	8= (7-5) x6	9*No of Months
04.04.24	Monthly super Duper	868	955	1,025,640	1043	90,256,320	722,050,560
04.04.24	Monthly Freedom	1564	1652	892,080	1739	77,610,960	620,887,680
04.04.24	Weekly Super Plus	374	390	670,290	434	29,492,760	235,942,080
04.04.24	Weekly Freedom	460	478	2,602,920	504	67,675,920	541,407,360
16.02.2024	Weekly X	475	475	21,000	520	945,000	8,505,000
16.02.2024	Monthly X	-	1739	6,000	1826	522,000	4,698,000
22.01.24	Monthly Max	1300	1565	1,339,650	1652	116,549,550	1,165,495,500
22.01.24	Monthly Your Tube & Social offer	330	348	2,472,870	434	212,666,820	2,126,668,200
01.11.23	Weekly Super max	417	430	2,010,480	478	96,503,040	1,158,036,480
Total						692,222,370	6,583,690,860

Annexure-IV

Refer to Para No 1.5.3 (PTA)

Detail of non-renewal of LDI & FLL Licenses resulting in non-recovery of RLF-Rs 1,051.558 million

S. No.	Name of Operators	Detail of License	Amount Due (RLF+LPAF)
1	World Call	LDI	150,660,000
2	Wateen Telecom		147,817,000
3	Telecard		147,764,000
4	Dancom		147,896,500
5	Ret Ton		147,923,000
6	Wise Communication		147,923,000
7	Circle Net		145,054,000
Sub-Total (A)			1,035,037,500
8	Hazara Communications	LL	3,007,800
9	Wise Communications		3,009,960
10	Brain Telecom Ltd		2,782,000
			3,007,800
11	Worldcall Telecom		2,283,120
12	Telecard Ltd		2,430,050
Sub-Total (B)			16,520,730
Grand Total (A+B)			1,051,558,230

Annexure-V

Refer to Para No 7.5.2 (NTC)

Detail regarding un-justified parking of funds against various heads of budget- Rs 2,948.485 million

(Rupees in Million)				
Heads of Expenditure	Original Budget 2022-23	Rev/Act Exp Budget 2022-23	Excess Provision	Remarks
(A)-ADP				
Building	59.00	-	59.00	Overall Excess provision kept in ADP budget upto 49%.
Exch & OSP	563.752	346.944	216.808	
MSDN/Data Center	479.602	182.853	296.749	
Misc	78.004	72.203	5.801	
Sub-Total-A	1,180.358	602.000	578.358	
(B)-CAPEX				
F & Fixture	2.500	0.800	1.700	Overall Excess provision kept in CAPEX budget upto 46%.
Rep of Vehicles	38.392	-	38.392	
Computer Equip	10.00	6.585	3.415	
Replacement of Equip	348.963	208.871	140.092	
Sub-Total-B	3,99.885	216.256	183.599	
Total (A+B)	1,580.243	818.256	761.987	Cumulative excess provision is 48.2%

(Rupees in million)				
Heads of Expenditure	Original Budget 2023-24	Rev/Act Exp Budget 2023-24	Excess Provision	Remarks
(C)-ADP				
Building	22.400	-	22.400	Overall Excess provision kept in ADP budget upto 83.2%
Exch & OSP	1177.440	179.612	997.828	
MSDN/Data Center	325.160	45.414	279.746	
Misc	75.000	42.789	32.211	
Sub-Total-C	1600	267.815	1332.185	
(D)-CAPEX				
F & Fixture	1.200	0.746	0.454	Overall Excess provision kept in CAPEX budget upto .
Rep of Vehicles	141.418	-	141.418	
Computer Equip	10.000	3.927	6.073	
Replacement of Equip	706.401	-	706.401	
Sub-Total-D	859.019	4.673	854.346	
Total (C+D)	2,459.019	272.488	2,186.528	Cumulative excess provision is 48.2%
Grand Total (A+B+C+D)	4,039.262	1,090.744	2,948.515	

Annexure-VI

Refer to Para No 9.6.4 (USF)

Detail of unjustified payment of subsidy against various projects during 2023-24

S. No.	PDP No.	Name of Lot	Amount (Rs in Million)	Name of Operator	Date of award	Audit Observation
1	93-25	Punjgur Lot	590.000	M/s PTML	28.4.2021	<p>(i) The subsidy amounting to Rs 590,000,000 was approved for 62-mandatory mauzas consisting of 18-sites; however, five (5) sites were stuck and could not be completed which resulted in non-provision of services to 27097 population (149459 – 122362).</p> <p>(ii) Complete BoQ regarding installation of seventeen (17) new BTS were not available in the record. Therefore, audit is of the view that coverage to all mandatory as per agreement was questionable.</p> <p>(iii) USF Company issued four (4) addendums against the Project. Milestone was offered by the service provider on 8th November, 2023, technical audit was competed on 5th December, 2023 and USF company issued project milestone implementation certificate on 15th December, 2023. However, addendum No. 04 was issued on 20th December, 2023 after completion of technical audit and issuance of implementation certificate was not justified.</p>
2	98-25	Sialkot Lot	249.921	M/s PTML	22.6.2022	<p>USF Co., paid an amount of Rs 249,920,878 for 1st and 2nd milestone of Sialkot Lot during 2023-24. Completion date after grant of force majeure was fixed as 9th May, 2024 but the project was not completed till finalization this report. The subsidy was granted for 205-mandatory mauzas whereas after scope change, 153-mandatory mauzas were continued with population of 210537. This resulted in non-provision of services to 52-mandatory mauzas and 44739 population (255276 – 210537). Hence, payment of subsidy against all the planned mauzas without deduction of amount of subsidy for 52-mandatory mauzas were not justified.</p>

3	97-25	Mohmad Lot	123.088	M/s Telenor	18.1.2018	USF Co., paid an amount of Rs 123,088,441 vide voucher No.5955 dated 20 th September, 2023 for 4 th and final milestone of Mohmand Lot during 2023-24. The subsidy amounting to Rs 849,647,146 (CAPEX Rs 727,415,889 + OPEX Rs 122,231,257) was granted for 456-mandatory mauzas with 67-sites. However, after conversion of mandatory mauzas into optional and non-covering of 6-mauzas due to replacement of site in plain area actual mauzas remained 437 with 63 sites. Hence, payment of subsidy against all the planned mauzas and sites without deduction of subsidy for 25-mauzas and 4-sites were not justified.
Total			963.009			

Annexure-VII
Refer to Impact Audit

Detail of Payback, NPV and IRR of NTC Data Centers

Years	Period	Revenue (Data Center)	Capital Expenditure	Recurring Charges	Depreciation Charged	Operating Expenses	Total Expenditure
C1	C2	C3	C4	C5	C6	C7	C8= (C4+C5+C6+C7)
2015-16	-	-	356,184,258	-	35,618,426	-	391,802,684
2016-17	1	-	-	-	35,618,426	29,810,000	65,428,426
2017-18	2	-	-	-	35,618,426	32,791,000	68,409,426
2018-19	3	233,091,201	-	-	35,618,426	36,070,100	71,688,526
2019-20	4	315,164,140	-	-	35,618,426	20,673,352	56,291,778
2020-21	5	483,001,130	331,838,014	30,254,600	66,036,911	21,674,942	449,804,467
2021-22	6	650,058,081	489,271,649	31,025,600	87,261,722	32,110,228	639,669,199
2022-23	7	1,436,903,942	180,540,000	39,813,864	117,729,442	127,478,461	465,561,767
2023-24	8	2,196,173,585	186,170,000	40,152,654	129,502,381	254,707,746	610,532,781
Total		5,314,392,079	1,544,003,921	141,246,718	578,622,585	555,315,829	2,819,189,053

Net Cashflow	Cumulative Cashflows	<u>D.F@ 11.50%</u>	PVCF	<u>D.F@ 32%</u>	PVCF
C9=C3-C8	C10	C11	C12=C9xC11	C13	C14=C9xC13
-391,802,684	-391,802,684	1	-391,802,684.00	1	-391,802,684.00
-65,428,426	-457,231,110	0.89686	-58,680,202.69	0.757576	-49,566,989.39
-68,409,426	-525,640,536	0.80436	-55,025,780.53	0.573921	-39,261,608.13
161,402,675	-364,237,861	0.7214	116,435,691.31	0.434789	70,176,052.45
258,872,362	-105,365,499	0.64699	167,488,971.91	0.329385	85,268,762.76
33,196,663	-72,168,836	0.58026	19,262,830.04	0.249534	8,283,707.85
10,388,882	-61,779,954	0.52042	5,406,542.35	0.189041	1,963,926.48
971,342,175	909,562,221	0.46674	453,365,193.18	0.143213	139,108,839.52
1,585,640,804	2,495,203,026	0.4186	663,752,048.16	0.108495	172,033,634.10

Payback	(7.90) Years 7 Years 11 Month
NPV	920,202,610
B/C Ratio	1.89:1
IRR	32%

	NPV
	(As Per PCs-1)
NDC-ISB	460,272,358
DRC-LHR	507,627,483
EXPANSION-ISB	104,546,424
Total	1,072,446,265

S.No	FYs	Annual KIBOR
1	2015-16	7.38
2	2016-17	6.39
3	2017-18	6.45
4	2018-19	7.53
5	2019-20	13.65
6	2020-21	7.17
7	2021-22	8.07
8	2022-23	15.84
9	2023-24	23.27
10	2024-25	19.2
Average KIBOR		11.495

NPV FOR IRR	
Low Rate NPV	High Rate NPV
DF@11.50%	DF@32%
1,425,711,277	476,834,923
-505,508,667	-480,631,282
920,202,610	-3,796,358

Annexure-VIII
Refer to Impact Audit

S. No.	Garaj (Jazz)	Amount Rs /Month	My Cloud	Rate/Month	NTC	Rates/ Month
1.	2 vCPU	3724	2 vCPU	\$89/Month @Rs280/\$	2vCPU*	4,166
2.	RAM 2 GB	3220	RAM 4GB		RAM 2GB*	3,334
3.	Storage 100 GB	3360	Storage 250GB		Storage 100 GB@Rs 55/GB	5,500
4.	Bandwidth 2 Mbps	4480	5 Mbps CIR with DDOS		Bandwidth 2Mbps with DDOS	16,000
5.	Windows OS	-	Windows OS		Windows OS	-
6.	Automated messages via Zapier	Included	-		Automated Messages	Included
7.	24/7 support	Included	24/7 Support		24/7 support	Included
8.			Public IP			
Total (Exl. Taxes)		14,784	-	24,920	-	29,000
Status		Lowest		2nd		Highest

*NTC's Specifications and Rates and have been matched with the specification of other operators.

Tech Features	MyCloud (Multinet)		NTC		Eq. Rate p.a (Rs)
	Specs offered	Rates p.a (Rs)	Specs Offered	Unit Rate	
Processor	Processor Xeon 2.26Ghz-02 Cores	Rs 403,000 (After 20% Discount on Annual Subscription)	(2.4 GHz) 02 Core	Rs25,000 For 01Core Annually	50,000
RAM	2 GB DDR4 RAM		2 GB Ram	Rs 10,000/512MB (Annually)	40,000
Hard Disk	50 GB Disk Space		50 GB	Rs 16,250/25GB (Annually)	32,500
Setup Charges	Nil		OS (Cent OS) installation, DNS Setup, Security Services (Firewall, IPS/IDS,	50,000 (one Time)	50,000

			Antispam, Antivirus etc.		
Monthly Bandwidth	Unlimited Bandwidth		Unlimited Bandwidth	-	-
DOS/DDO Protection	Included in Packaged		Included in Package	-	-
Backup	File & DB Backups		Included in Package (7 Days retention Policy)	-	-
Service monitoring & technical Support	24x7 Technical Support		Included in Package	-	-
IPS/IDS Protection	Included in Package		Included in Package	-	-
Customized Support charges	-		Customized Support Charges	25000/Month	300,000
Control Panel Management	-		Included in Package	Included	
Email Redirects	Included in Package		-	-	-
FTP Accounts	Included in Package		On Demand	Rate to separately decided	-
FTP Session Manager	Included in Package		-		
Website Statistic	Included in Package		-		
10 Domains	10 Domains		On Demand	Rates to be separately decided	-
Web-based Admin	Included in Package		-	-	
RAID 5 as standard RAID level	Included in Package		-	-	
Total MyCloud		403,000	Total NTC		472,500
Excess					69,500