AUDIT REPORT
ON
THE ACCOUNTS OF
TELECOMMUNICATION SECTOR
AUDIT YEAR 2020-21

AUDITOR-GENERAL OF PAKISTAN

Preface

The Auditor-General conducts Audit subject to 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. The Audit of Telecommunication Sector was carried out accordingly.

The Directorate General of Audit, Postal and Telecommunication Services, conducted Compliance Audit on the accounts of Telecommunication Sector from July to November for the financial year 2019-20 with the view to report significant findings to the relevant stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the Telecommunication Sector. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in managing the resources. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the Telecommunication Services. This report has been finalized in the light of discussions in DAC meetings.

The Audit Report is submitted to the President in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Parliament.

Sd/-

Dated: 22nd February, 2021

(Javaid Jehangir)
Auditor-General of Pakistan

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MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

ABBREVIATIONS & ACRONYMS

ADP	Annual Development Plan
ACSP	Accredited Certificate Service Provider
AGPR	Accountant General Pakistan Revenue
APC	Access Promotion Contribution
ARDs	Annual Regulatory Dues
AR	Audit Report
BoG	Board of Governors
BoQ	Bill of Quantity
CBC	Community Broadband Centers
CC	Coaxial Cable
CCTV	Close Circuit Television
CDMA	Code Division Multiple Access
CDWP	Capital Development Working Party
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	Cost & Freight
CGA	Controller General of Accounts
CGR	Corporate Governance Rules
CMA	Controller Military Accounts
CMO	Cellular Mobile Operators
CPEC	China Pakistan Economic Corridor
CPP	Calling Party Payment
CSP	Certificate Service Provider
CTC	Casual Telephone Connections
CWO	Civil Works Organization
DAC	Departmental Accounts Committee
DCO	Data Computer Operator
DDO	Drawing & Disbursing Officer
DDP	Delivery Duty Paid
DDWP	Department Development Working Party
DPC	Departmental Promotion Committee
DR	Disaster Recovery

DSL	Digital Subscriber Line
DXX	Digital Cross Connect
EBC	Educational Broadband Centers
ECAC	Electronic Certification Accreditation Council
ECC	Economic Coordination Committee
ECNEC	Executive Committee of National Economic Council
ED	Executive Director
EE	External Evaluators
ERE	Employee Related Expenditure
ESR	Employee Service Regulations
ETO	Electronic Transaction Ordinance
FAB	Frequency Allocation Board
FAP	Foreign Aided Project
FAQ	Frequently Asked Question
FB&A	Financial Budgeting Accounting
FBA&AP	Financial Budgeting Accounting & Audit Procedure
FBR	Federal Board of Revenue
FCC	Final Capital Cost
FCF	Federal Consolidated Fund
FED	Federal Excise Duty
FFI	Fact Finding Inquiry
FDI	Foreign Direct Investment
FOB	Freight on Board
FWO	Frontier Works Organization
3G	Third Generation
4G	Fourth Generation
GB	Gilgit Baltistan
GD	Goods Declaration
GFR	General Financial Rules
GH_3	Giga Hertz $_3$
GHQ	General Headquarter
GoP	Government of Pakistan
GPN	Giga Passive Optical Network
GSM	Global Systems of Mobile

ICT	Information Communication Technology
IGE	International Gateway Exchange
IPR	Intellectual Property Rights
IPTV	Internet Protocol Television
ISO	International Organization for Standardization
IT	Information Technology
KKH	Karakoram Highway
KPIs	Key Performance Indicators
KPK	Khyber Pakhtunkhwa
LC	Letter of Credit
LD	Liquidated Damages
LDI	Long Distance International
LL	Local Loop
LMR	Land Mobile Radios
LoI	Letter of Intent
LPAF	Late Payment Additional Fee
LTE	Long Term Evolution
MB	Measurement Book
MAG	Military Accountant General
MES	Military Engineering Service
MNP	Mobile Number Portability
MO	Military Operations
MoIT&T	Ministry of Information Technology and Telecommunication
MoDP	Ministry of Defence Production
MoU	Memorandum of Understanding
MSDN	Multi Services Data Network
NAB	National Accountability Bureau
NGMS	Next Generation Mobile Service
NIDA	National Income Daily Account
NITB	National Information Technology Board
NGN	New Generation Network
NHA	National Highway Authority
NOC	No Objection Certificate

NORAD	Norwegian Agency for Development
NPS	National Pay Scale
NSC	National Saving Center
NTC	National Telecommunication Corporation
NTN	National Tax Number
NRTC	National Radio Telecommunication Corporation
OEM	Original Equipment Manufacturer
OFC	Optical Fibre Cable
OSP	Outside plant
OTT	Over the Top
PAO	Principal Accounting Officer
PAC	Provisional Acceptance Certificate
PAC	Public Accounts Committee
PEC	Pakistan Engineering Council
PCC	Provisional Capital Cost
PEMRA	Pakistan Electronic Media Regulatory Authority
PIFRA	Project to Improve Financial Reporting and Auditing
PI	Principal Investigators
PIO	Principal Investigating Organization
PLA	Profit and Loss Account
POL	Petrol Oil & Lubricant
PPRA	Public Procurement Regulatory Authority
PRI	Primary Rate Interface
PSDP	Public Sector Development Programme
PST	Punjab Sales Tax
PSTN	Public Switched Telephone Network
PTA	Pakistan Telecommunication Authority
PTET	Pakistan Telecommunication Employees Trust
PTRA	Pakistan Telecommunication Re-Organization Act
PWD	Public Works Department
QoS	Quality of Service
QRS	Quality Registrar System
R&D	Research and Development
RFP	Request for Proposal

RIC	Regular Income Certificate
RIO	Reference Interconnect Offer
ROW	Right of Way
SCO	Special Communications Organization
SDAs	Special Drawing Accounts
SDR	Software Defined Radios
SECP	Security & Exchange Commission of Pakistan
SIM	Subscriber Identity Module
SLA	Service Level Agreement
SME	Small Medium Enterprises
SSA	Service Subsidy Agreement
TDM	Time Division Multiplexing
TIP	Telephone Industries of Pakistan
TO&E	Temporary Office Establishment
TT	Telegraphic Transfer
UPS	Uninterrupted Power Supply
USF	Universal Service Fund
VIM	Virtual Inter-connect Media
VPN	Virtual Private Network
VOIP	Voice Over Internet Protocol
VSAT	Very Small Aperture Terminal
WiMAX	Worldwide Interoperability for Microwave Access
WLL	Wireless Local Loop

EXECUTIVE SUMMARY

The Audit Report presents results of the audit of the accounts for Financial Year 2019-20 of Telecommunication Sector which includes Pakistan Telecommunication Authority (PTA), Frequency Allocation Board (FAB), National Radio and Telecommunication Corporation (NRTC), Electronic Certification Accreditation Council (ECAC), Ignite National Technology Fund & Company, National Telecommunication Corporation (NTC), Special Communications Organization (SCO), Telecom Foundation (TF), Telephone Industries of Pakistan (TIP) and Universal Service Fund & Company (USF Co).

The telecommunication organizations (PTA, FAB, NTC, Ignite and USF) were established under Pakistan Telecommunication (Re-organization) Act 1996 (amended in 2006). NRTC was registered as a private limited company incorporated under the Companies Ordinance, 1984 (Amendment 2017). Special Communications Organization (SCO) was established under the directives of the Prime Minister in 1976. Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 in collaboration with M/s Siemens under the Companies Act 1913 (Now the Companies Act, 2017).Telecom Foundation (TF) was established under the Charitable Endowments Act 1890 in November 1991. The Electronic Certification Accreditation Council (ECAC) was established on 18th September, 2004 under Electronic Transactions Ordinance (ETO) Ordinance 2002. PTA & FAB are under the administrative control of the Cabinet Division. The Ministry of Defence Production (MoDP) administers NRTC, whereas, ECAC, Ignite, NTC, SCO, TF, TIP and USF Company are under the control of the Ministry of Information Technology & Telecommunication (MoIT&T).

The Director General, Postal & Telecommunication Services Audit has the mandate to carry out audit of the above ten (10) entities of the Telecommunication Sector. The Report has been finalized in light of detailed discussions and directives issued thereof during DAC meetings with the respective PAOs. Out of these entities' PTA, IGNITE and USF provided financial statements for the year 2019-20. NTC, TF, TIP, FAB, NRTC and ECAC did not provide their financial statements for the year 2019-20 till finalization of this report, therefore, audit could not comment on the financial health and discipline of these entities.

The Directorate General Audit had a budget allocation of Rs 69.457 million for the Financial Year, a human resource of 41officers & allied staff and utilized 3,454 man-days for the audit of these entities.

a) Scope of Audit

This office is mandated to conduct audit of forty-two (42) formations working under Cabinet Division, Ministry of Defence Production, Ministry of Information Technology and Telecommunication. The 42 formations have incurred an expenditure of Rs 29.527 billion and collected receipt of Rs 157.148 billion during the Financial Year 2019-20.

Audit coverage relating to expenditure for the current audit year comprises twenty (20) formations of 03 PAOs/Ministries having a total expenditure of Rs 11.294 billion for the Financial Year 2019-20. In terms of percentage, the audit coverage for expenditure is 38% of auditable expenditure.

Audit coverage relating to receipt for current audit year comprises twenty (20) formations of 03 PAOs/Ministries having a total receipt of Rs 56.646 billion for the Financial Year 2019-20. In terms of percentage, the audit coverage for receipt is 36% of auditable Receipt.

b. Recoveries at the instance of audit

As a result of audit, recovery of Rs 2,094.393 million was pointed out in this report. Recovery effected from January to December 2020 was Rs 4,268.638 million which included recovery pointed out during current as well as previous years.

c. Audit Methodology

The desk audit could not be conducted because the telecommunication entities had not maintained their accounts at one central place nor the data was available online. However, permanent files maintained in the office of the Director General Audit (P&TS) were constantly updated after obtaining the relevant information from the entities which helped in identifying risk areas during the planning phase. Field audit was conducted on the basis of review of the record, field visits, physical inspections and periodic discussion with management.

d. Audit Impact

On the advice of Audit, Telecommunication entities have taken following corrective measures:

- The management of PTA has agreed to comply with its Employees Service Regulations in letter and spirit.
- The management of PTA has taken up a case with the Cabinet Division, FBR and Minister Incharge regarding forceful withdrawal of amount by FBR.
- FAB has got its technical regulations approved from the Board of Directors which have been submitted to the Federal Government for approval.
- Ignite National Technology Fund has finalized its HR manual and submitted it to the competent forum for approval.
- NTC management has initiated revision of its employee's service regulations on the advice of Audit and in compliance with DAC and PAC directives.
- The management of SCO has agreed to comply with the policy for contract employment against various projects.

- SCO management has agreed to prepare SOPs on Public Switch Telephone Network (PSTN) and opened a separate bank account for security deposit.

- The management of telecommunication entities have agreed to/ comply with implement the Public Procurement Rules in letter and spirit.

- The telecommunication entities have agreed to strengthen the mechanism for timely recovery of receivables from designated customers, telecom operators and others.

e. Key Audit Findings of the Report;

The Audit Report comprises eighteen (18) Audit Paras pointing out serious irregularities:

i. Violation of PPRA Rules was highlighted in one (01) case amounting to Rs 119.522 million[1].

ii. One (01) case of management of accounts with commercial banks was highlighted[2].

iii. Recoveries were pointed out in eight (08) cases amounting to Rs 2,094.393 million[3].

iv. Eight (08) paras relating to other irregularities amounting to Rs 6,342.132 million were also included in the report[4].

[1] 4.4.1

[2] 1.4.1

[3] 1.5.2, 2.4.1, 2.4.2, 3.4.1, 4.5.2 to 4.5.4 & 7.4.1

[4] 1.5.1, 1.5.3, 2.4.3, 4.5.1, 5.4.1 to 5.4.3 & 6.4.1

f. Recommendations

i) Telecommunication entities should update and strengthen their internal controls and compliance with rules and regulations relating to HR/Employees related matters.

ii) Compliance of Public Procurement Regulatory Authority (PPRA) Rules, 2004 for procurement of goods and services must be ensured through continuous capacity building of staff and persistent implementation of rules to ensure economy and transparency in public procurement.

iii) The management of telecom entities should make renewed efforts to recover their outstanding receivables/dues.

iv) Contract management needs to be improved by putting special focus on the explicit articulation of clauses, sub-clauses and detailed explanation of associated terms & conditions to reduce incidences of disputes and litigation.

v) The reasons for incurring losses due to imprudent decision-making may be ascertained and focused efforts be made to steer the organization/s out of persistent losses. Similarly, irregularities and unauthorized payments may be probed, responsibilities be fixed, recoveries effected and disciplinary action be taken against those at fault.

vi) The management should ensure effective compliance of all PAC/DAC directives and audit recommendations preferably by reinvigorating internal audit cells within the organizations.

SECTORAL ANALYSIS

Introduction

The Telecommunication sector is made of cluster of telecom companies, cable operators, internet service providers (ISP), satellite companies, associated tech entities and government regulators that make communication possible on a global scale. Together, these operators create an ecosystem that allows data in words, voice, audio and video to be sent across the globe through internet, voice telephony, air waves, cables through wires or wirelessly. Telecom sector is defining the future of communication and is indeed a strategic resource. The world had witnessed tremendous growth in mobile and internet usage and the trend continues to grow at a phenomenal rate.

Global Telecommunication Trend

The global telecom industry is showing a tremendous growth pattern due to fast paced transformation in mobile and internet technologies. This tremendous growth in telecom sector has been steered by 3G and 4G/LTE services, cloud computing, increased coverage of satellites and massive penetration of smart devices. The evolution continues with the expected launch of 5G services and evolving artificial intelligence (AI) which will have a positive impact on telecom services.

Telecommunication Sector in Pakistan

Pakistan has undergone major developments in the telecom sector. The telecom sector is one of the fastest growing sectors which contributes 3% to our GDP. The main focus of telecom sector is to provide modern telecommunication services to the masses whereas role of the government is to ensure an enabling competitive environment amongst the telecom network operators while safeguarding the interests of the consumers. Pakistan is moving fast to digitize its economy with introduction of digital services including E-commerce, E-customer care, E-banking, Mobile banking, and other I.T services. International investors have directly contributed $ 5.7 billion in the telecom sector since 2005.

Development of Telecom Sector in Pakistan

Pakistan inherited British Post & Telegraph departments. The Pakistan Posts & Telegraph Department was established in 1949 which split into the Pakistan Telephone & Telegraph (PT&T) Department and Pakistan Posts department in 1962. In 1991, the Pakistan Telecommunication Corporation (PTC) was established through the Pakistan Telecommunication Corporation Act which took over the operations and functions of the aforementioned departments. The Telecommunication (Reorganization) Act was promulgated in 1996 after which PTC was converted into a Public Limited Company (PTCL). The government privatized PTCL by selling 26% of its shares along with management control to Etisalat, whereas 12% of shares were sold to the public.

The telecom sector was de-regulated in 2003 after the promulgation of the de-regulation policy. Consequently, many international cellular operators and ISPs entered the Pakistani market. These included Warid, Mobilink, Zong, Telenor, and Ufone. Later on, Jazz was formed after the merger of Warid with Mobilink. Besides, multiple Long Distance & International (LDI) and Local Loop Licenses were granted to local and international companies. Frequency Spectrum was also auctioned to different companies for Wireless Local Loop (WLL) operations. The telecom operators invested $5.7 billion between 2005 and 2017 which created employment opportunities in the telecom market. Additionally, Special Communication Organization (SCO), a public sector organization working under Ministry of Information Technology and Telecommunication (MoIT&T), was established in 1976 to develop, operate, and maintain telecom services in Azad Jammu & Kashmir, and Gilgit Baltistan.

Regulating the Telecom Sector

The Pakistan Telecommunication Ordinance 1994, established the primary regulatory framework for the telecommunication industry including the establishment of independent regulatory authorities. Subsequently, in 1996, the government established the Pakistan Telecommunication Authority

(PTA) as an autonomous regulator of the telecommunication sector. PTA also generates revenue for the government through authorization and renewal of telecom licenses, auction of spectrum and levying regulatory fees on operators. Overall, the telecom sector has contributed Rs 686.91 billion to the national exchequer during the last five years as detail below:

(Rs in billion)

Year	GST	PTA Deposit	Others	Total
2014-15	45.77	7.0	73.49	126.26
2015-16	44.25	34.1	81.82	160.18
2016-17	46.20	33.13	82.10	161.43
2017-18	48.18	10.10	85.00	143.28
2018-19	26.29	17.38	52.09	95.76
Total	**244.52**	**185.63**	**400.72**	**686.91**

Source: PTA's Annual Report 2019

The Frequency Allocation Board (FAB) is assigned the role to allocate spectrum and monitor the use of spectrum by telecom operators. National Telecommunication Corporation (NTC) is assigned the responsibility to provide telecom services to public sector organizations whereas the PTET now deals with the issues of PTC employees who merged into PTCL.

Initiatives & Reforms

PTA successfully launched the device identification, registration and blocking system (DIRBS) in December 2018 which has helped in registering all legally operational mobile phones in Pakistan. The system has also helped in generation of substantial revenue for the government. Another important measure undertaken by PTA was the blocking of more than 9 million blasphemous, anti- state and pornographic websites based on its cyber vigilance measures. PTA has issued Framework for Test and Development of Future Technologies particularly Fifth generation (5G) testing and trials in June 2019 under which six months trial licenses were issued to CM Pak (Zong) and PMCL (Jazz) to conduct trials under limited and non-commercial basis.

Possibly the biggest game changer in terms of internet access is the Pak-China Optical Fiber Cable (OFC), a CPEC project which forms a land-based communication link between Pakistan and China. The 820-kilometre-long fiber-optic cable is expected to extend down to Gwadar in the long term, providing connectivity to far-flung areas along the western border and Balochistan.

Telecom Statistics in Pakistan

According to PTA, the total number of annual subscribers in Pakistan is close to around 163.50 million with a net addition of 4.4 million subscribers from July 2019 to March 2020[5]. There are 76.30 million internet users. Tele-density in Pakistan is growing rapidly; 77.7% from 0.3 million subscribers in 2000 to 163 million in 2019. Nearly 9 million subscribers were added in FY 2018-19. Pakistan is among the top 10 countries with 100 million plus subscribers.

The Telecom Policy issued in 2015 provided a comprehensive framework for dealing with acquisition, mergers, reframing of spectrum and licensing framework. The award of 3G & 4G licenses to Telecom Operators in 2014, 2016, and 2017 has strengthened the telecom sector by improving quality of services. Telecom sector contributed US$ 5.7 billion, between 2014 to 2017, primarily due to 3G & 4G auctions. The sector has expanded its base owing to investment liberalization, favorable government policies and healthy competition. Overall, the financial health of the sector remained stable and networks continued to grow and add more subscribers.

Challenges

The telecom sector faces numerous challenges in Pakistan requiring important multiple initiatives to harness the potential of the market. One such challenge is the renewal of licenses of three telecom operators namely Telenor, Zong, and Warid that was due in May 2019 upon expiry of the 15

[5]PTA's Annual Report 2019

years period. PTA has fixed the renewal price at $449.2 million each which prompted the Telecom operators to move to the Courts seeking identical treatment with Ufone whose license was renewed @ US$ 291 million, meanwhile the other three telecos have deposited 50% of the renewal fee. The litigation is depriving national exchequer of revenue and foreign exchange.

Spectrum management remains a contentious issue due to persistent disagreement between PTA & FAB on the issue of award of 4G spectrum to mobile companies on basis of technology neutrality[6] of their licenses. The matter has been pointed out by audit as it entails potential loss of millions of dollars. Further, contractual management issues in PTA have led to disputes and litigation with service providers blocking potential revenue. Another problem that plagues Pakistan's telecom industry is grey traffic, defined as the illegal routing of calls to/from the country to avoid applicable taxes and regulatory fees. According to the PTA, the sector loses an estimated $1 billion in revenues per annum. MoIT&T has drafted the Pakistan Telecommunication Competition Rules 2017, however, to improve further, substantial work is still required for designing frameworks for license renewal, interference protection, Public Wi-Fi, Voice over Internet Protocol (VoIP), Over the Top (OTT) policies and national roaming.

The role of Special Communication Organization (SCO) running commercial services in AJ&K and GB without buying spectrum needs to be addressed. The urgent need of Intellectual Property Law for ICT initiatives is required as it would greatly encourage entrepreneurs to launch ICT based companies in Pakistan. The process of certifying electronic transactions and services requires a lot more to be done.

The definition, scope, applicability of the term "Technology Neutral License" remains elusive due to varying interpretations by Telecom operators, PTA, FAB and Audit. The matter needs immediate redressal as the telecom operators would be seeking permission to operate 5G operations in the country. A high-powered technical committee should be mandated to look

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[6]Previous audit reports

into the diverse technical aspects, international practices and role of regulator in a holistic and practicable manner that would safeguard the strategic asset of the country without unduly discouraging business environment in the telecommunication sector.

Financial Management & Governance Issues

The telecommunication sector contributes significantly to the economy in the form of FDI, infrastructure development, and creation of jobs. It has also been marred with issues of financial management and governance. The telecom operators have got stay orders from courts blocking Rs.93 billion revenue of the government primarily due to disputes in license agreement clauses. Companies like Instaphone, that owe billions of rupees to PTA, were given undue leverage and they have defaulted on payment of regulatory dues. Similarly, the LDI companies owe Rs.36 billion on account of Access Promotion Contribution (APC) but the case is in Supreme Court of Pakistan. The perennial disagreement between PTA, MoIT&T, and Ministry of Finance on account of less deposit of dues in FCF to the tune of billions of rupees[7] needs to be resolved at the earliest. Audit has pointed out procurement related irregularities to the tune of Rs 119.522 million in one case.

Conclusion

Pakistan, despite witnessing dramatic growth of telecom sector, is still at an early stage of development with penetration still below than most other Asian countries. Strong growth is expected soon mostly due to adoption of 4G/LTE and eventually with the launch of 5G services. Although telecom sector worldwide is facing revenue and growth challenges due to saturation and rapid technology changes, increasing competition, and high costs, there is a lot of growth potential in Developing Countries and Pakistan is no exception. As the country faces challenging times with its financial problems and resource constraints, renewed focus on telecom sector will help in bringing revenue and foreign exchange while creating diverse employment opportunities.

[7] Reconciliation of MoIT&T & PTA

Therefore, role of Ministry of Information Technology and Telecommunications and particularly Pakistan Telecommunication Authority (PTA) has become pivotal for economic growth and employment generation. Every single stakeholder will benefit if the issues highlighted in this report are addressed properly. The government should continue to strive to make the market more competitive by inducing an enabling environment, improve policy making, enact progressive laws and regulations to attract major international players.

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 which was 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 (GoP);
- Grant and renew licenses for any telecommunication system and any telecommunication services on payment of regulatory fee;
- Regulate the establishment, operation and maintenance of telecommunication systems and the provision of telecommunication 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 sharing their revenue derived from providing telecommunication service.

B) Comments on Budget and Accounts

1. According to Note 2.1 of the Financial Statements of Pakistan Telecommunication Authority (PTA), the financial statements had been prepared in accordance with the accounting policies of "PTA Finance and Accounting Manual". Audit was of the view that said manual was not approved from competent forum i.e Cabinet Division.

2. As per Note 8.1 of the Financial Statements ending on 30th June 2020, an amount of Rs 397.470 million was payable to AJ&K Council as current liability but no payment was made to AJ&K Council during 2019-20.

3. As per Note 10.12 of the Financial Statements ending on 30th June 2020, the Federal Government vide SRO dated 27th November 2020 had directed PTA to contribute 3% of fee and charges levied by PTA to Competition Commission of Pakistan (CCP) before surrendering of the amount to FCF from financial year 2009-10 onwards but PTA has only recognized a provision of Rs 125.259 million for the year 2019-20 whereas provision of Rs 1,115 million for previous years was not made in the accounts.

4. As per Note 24 of the Financial Statements related to other income, PTA charged mark up on Initial Spectrum Fee (ISF) for Next Generation Mobile Service (NGMS) @ 4.75% to 5.79% p.a from operators who opted to pay ISF in installment. However, as par note 20.2, PTA earned 6.5% to 11.25% markup on bank deposits on local currency accounts. So, the payment made by the operators in installments was causing loss to the PTA.

Table-I Audit Profile of Pakistan Telecommunication Authority

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2019-20	Revenue / Receipts audited FY 2019-20
1	Formations	09	01	1630.780	139,989.000
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,133.054 million were raised in this report which include recoveries amounting to Rs 391.884 million. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in million)

Sr No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	43.640
4	Value for money and service delivery issues	-
5	Others	3,089.413

1.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	1997-98	07	07	07	00	100
2	1998-99	12	12	08	00	67
3	1999-00	06	06	06	00	100
4	2000-01	31	31	29	02	94
5	2001-02	09	09	05	04	56
6	2002-03	03	03	03	00	100
7	2003-04	08	08	05	03	57
8	2004-05	08	08	05	03	57
9	2005-06	10	10	08	02	80
10	2006-07	08	08	01	07	13
11	2007-08	06	06	04	03	67
12	2008-09	26	26	13	13	50
13	2009-10	26	14	04	10	28
14	2010-11	38	23	13	10	56
15	2015-16	23	23	14	09	61
16	2016-17	21	21	15	06	72
17	2017-18	28	28	12	16	43

AUDIT PARAS

1.4 Irregularities

A. Management of Accounts with Commercial Banks

1.4.1 Loss to national exchequer due to late deposit of amount in FCF by NBP - Rs 43.640 million

According to Para 1(1.1) (1.1.1) of PTA Procedure for Sanctioning, Drawing & Disbursing of Funds, officers, responsible for sanctioning expenditure, incurring a liability, drawing & disbursing money on behalf of PTA, treat the funds of PTA as their own and apply the same judgment and prudence as a person of ordinary prudence would exercise while spending his own money.

PTA submitted treasury challan along with authority letter to NBP, Jinnah Avenue Branch, Islamabad, to transfer an amount of Rs.35.396 billion on account of License Renewal Fee from PTA's Collection Account to FCF. This amount was debited to PTA Collection Account on 20-09-2019. However, NBP credited the amount in FCF (Non-Food Account No. 1) on 23-09-2019 with a delay of 4 days. Finance Division vide its letter dated 28-10-2019 asked the NBP to explain reasons for delay and the interest accrued on Rs 35.396 billion during this period may be deposited in Government Treasury under intimation to Finance Division. The interest thereof Rs 43,640,087 on account of principal amount may be recovered from NBP and credited to FCF.

The matter was reported to management and PAO in November 2020. It was replied that PTA processed the payment on 19.09.2019. NBP debited PTAs account on 20.09.2019 and accordingly credited to NBP's Government Receipt Account same day which can be evidenced from attached bank statements.

The reply was not acceptable as no documentary evidence regarding credit of the said amount into State Bank/Non-Food Account was provided to audit.

DAC in its meeting held on 7th January, 2021 directed PTA management that a formal report with documentary evidence containing the reason for delay and remedy made by NBP, be provided to audit.

Audit recommends that the interest amount may be recovered from NBP and credited to FCF under intimation to audit.

(DP No.121)

1.5 Others

1.5.1 Loss due to non-vacation of additional frequency spectrum from M/s CM Pak (Zong) - USD 17.306 million

FAB Board in its 44th meeting held on 21st October, 2019, decided that the temporary frequency spectrum of 2 X 6.6 MHz (1755.7- 1762.3/ 1850.7- 1857.3 MHZ) to M/s CM Pak shall stand withdrawn on expiry of the license and the same shall be auctioned as per the provision of Pakistan Telecommunication Re-Organization Act 1996 and in line with the Telecom Policy 2015 and Policy Directive of the Government at the relevant time.

Contrary to the above, it was observed that M/s CM Pak (Zong) was assigned temporary additional spectrum of 2 x 6.6 MHz (1755.7-1762.3/1850.7-1857.3 MHz) till the expiry of license (22nd October 2019) as per FAB 42nd Board meeting. But M/s CM Pak (Zong) was still utilizing the additional frequency spectrum. Further, M/s CM Pak obtained a stay order from the Honourable High Court, Islamabad. The court on 21st October, 2019 directed to maintain the status quo. As per the policy directive issued by MoIT&T vide its letter dated: 9th May, 2019, the price of 1800 MHZ spectrum was USD 29.5 million per MHz for 15 years license. The national exchequer sustained a loss of USD 17.306 million equivalent to Pak Rs 2,697.529 million (amount calculated as per dollar rate of Rs 155.8725 as on 23rd October,2019) till June, 2020.

The matter was reported to management and PAO in November 2020.It was replied that after multiple hearings Islamabad High Court (IHC) ordered on 20-10-2020 that PTA and FAB would be at liberty to implement the policy directive. Subsequently, Enforcement Order was issued on 14-12-2020 to CMPak directing to vacate additional spectrum immediately and also liable to make payments for unauthorized use of frequency spectrum. The matter would be concluded in the light of the Enforcement Order and IHC decision.

DAC in its meeting held on 7th January, 2021 directed that the case be pursued in a court of law and progress thereof be intimated to audit.

Audit recommends that matter may be pursued in a court of law vigorously under intimation to audit.

(DP No.113)

1.5.2 Non-recovery of Annual Regulatory Dues - Rs 391.884 million

According to Para 4.4.1 of General conditions of license, the licensee shall pay all annual fees 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.

PTA management did not recover an amount of Rs 439,996,471 on account of Annual Regulatory Dues (ARDs) from the telecom operators during 2019-20. The detail is as under:

Sl. No	PDP No	Description	Amount Rs in million
1	125-2021	Annual License Fee	21,047,632
2	126-2021	USF Charges	210,271,119
3	127-2021	R & D Contribution	69,985,230
4	128-2021	Basic Telephony	37,778,779
5	129-2021	Annual Spectrum Fee	70,789,999
6	130-2021	ALF-LDI's	30,123,712
Total			**439,996,471**

The matter was reported to management and PAO in November 2020.It was replied against Sl. No2, 3 & 5 that an amount of Rs 55.537million had been recovered out of which an amount of Rs 48.112 million had been verified by Audit leaving the recoverable balance of Rs 391.884 million. Therefore, the amount of para was reduced to the extent of the verified amount.

DAC in its meeting held on 7th January, 2021 directed that the amount be recovered and got verified from audit.

Audit recommends that the pointed out amount may be recovered and got verified from audit.

(DP No.125 to 130)

1.5.3 Non-recovery of Late Payment Additional Fee from operators for renewal of licenses fee – US$ 72.562 million

According to Regulation 23 (7) of PTA (Functions & Powers) Regulations, 2006, the licensee shall be bound to pay such fees as stipulated in the license within due dates. In addition to any other remedies available to the Authority, late payment of fees 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.

It was observed during scrutiny of record regarding renewal of licenses during 2019-20 that PTA management did not recover an amount of USD 72,562,666 on account of Late Payment Additional Fee (LPAF) on renewal of licenses during 2019-20. It was further noticed that the PTA management issued show cause notices to all three companies (Jazz, Telenor, & CM Pak Zong) for non-payment of LPAF. The detail is as under:-

Sr No	Name of operator	Date of demand note	Amount in USD
1	Jazz	02-10-2019	30,545,600
2	Telenor	02-10-2019	30,246,133
3	CMPak Zong	24-12-2019	11,770,933
		Total USD	**72,562,666**

The matter was reported to management and PAO in November 2020.It was replied that facts of the cases pursuant to order passed by the Honourable Islamabad High Court, PTA issued an order dated 22-07-2019 wherein the licensees i.e. PMCL and Telenor were directed to pay renewal of license fee. All the licensees had filed appeals in IHC and cases were sub-judice. It was clarified that all actions with regard to recovery of dues would be subject to a Court Order. Therefore, till such time, the amount could not be recovered.

DAC in its meeting held on 7th January, 2021 directed that the cases for recovery be pursued vigorously under intimation to audit.

Audit recommends that the court cases may be pursued and progress thereof be intimated to audit.

(DP No.132)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-2

NATIONAL RADIO & TELECOMMUNICATION CORPORATION (NRTC)

Chapter 2

National Radio & Telecommunication Corporation (NRTC) (MoDP)

2.1 Introduction

A) The National Radio & Telecommunication Corporation (NRTC) Private Limited was established on 16th February, 1966. The Corporation is registered under the Companies Ordinance, 1984, as a Private Limited Company. NRTC is under the administrative control of the Ministry of Defence Production. Its accounts are audited by the Auditor-General of Pakistan.

The main objectives of the Corporation include manufacturing and assembling of all kinds of radio and wireless sets for Defence Services, Jamming Solutions, production of battery eliminators and distribution point boxes for PTCL and NTC. The Corporation is managed by a Board of Directors headed by Secretary, Ministry of Defence Production.

B) Comments on Budget and Accounts

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

Table-I **Audit Profile of National Radio & Telecommunication Corporation (NRTC)**

(Rs in million)

Sr No	Description	Total Nos.	Audited	Expenditure audited FY 2019-20	Revenue / Receipts audited FY 2019-20
1	Formations	01	01	7736.526	7857.765
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	7736.526	7736.526
4	Foreign Aided Projects (FAP)	-	-	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 978.065 million were raised in this report during the current audit of M/s NRTC. This amount also includes recoveries of Rs 814.792 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)

Sr No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	7.292
C	Management of Accounts with Commercial Banks	-
7	Value for money and service delivery issues	-
8	Others	970.772

2.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	1988-89	03	03	00	03	00
2	1990-91	10	10	10	00	100
3	1992-93	10	10	10	00	100
4	1994-95	No audit para was printed in Audit Report				
5	1996-97	10	02	01	01	50
6	1997-98	10	10	10	00	100
7	1999-00	09	09	09	00	100
8	2000-01	12	12	12	00	100
9	2001-02	08	08	08	00	100
10	2003-04	09	09	07	02	60
11	2004-05	13	13	13	00	100
12	2005-06	08	08	08	00	100
13	2006-07	05	05	03	02	75
14	2007-08	16	16	12	00	100
15	2008-09	04	04	03	01	75
16	2009-10	04	04	04	00	100
17	2012-13	20	18	17	01	94
18	2013-14	05	05	05	00	100
19	2016-17	5	5	02	03	40

AUDIT PARAS

2.4 Others

2.4.1 Non-recovery against delivered Stores - Rs 560.690 million

According to clause 11 of contract agreement, 50% advance payment will be made to NRTC Haripur, 45% will be released after fitment of vehicles and subsequent delivery, and 5% amount of total value will be kept as security and will be released on completion of warranty period. Further, agreement made between NRTC & CWO, remaining 5% balance will be paid on issuance of Consignee Receipt Voucher (CRV) by user department/end user. Moreover, clause No. 3.1 of contract agreement, 20% advance payment will be made to NRTC, 70% balance payment will be released against delivery advice/Inspection Notes etc and 10% will be released against CRV.

It was observed that NRTC management failed to recover an amount of Rs 560,689,718 against delivered stores from Army Strategic Force Command, Civil Works Organizations & Naval H/Qtr Islamabad during 2019-20 as detailed below:

Sr No	PDP No	Organizations	Subject	Amount Outstanding (Rs)
1	274-21	Army Strategic Force Command	Non-receipt of 50% balance payment against delivered store	2,748,718
2	275-21	Civil Works Organization	Unjustified change in contract clause and non receipt of balance amount	13,600,000
3	277-21	Civil Works Organization	Non-recovery of balance amount	22,750,000

4	279-21	Naval H/Qtr Islamabad	Non-recovery of outstanding dues from Naval H/Qtr	521,591,000
Total				**560,689,718**

The matter was reported to management and PAO in December 2020.It was replied against Sr. No 1that 50% remaining amount would be realized soon. Against Sr. No 2 & 3, it was replied that the process of issuance of CRV had been initiated and balance amount would be received soon. Against Sr. No 4, it was replied that matter had been taken up with the Naval H/qtr for early recovery.

The reply was not acceptable as the pointed out amount was not recovered till the finalization of this report.

DAC in its meeting held on 31st December, 2020 directed the NRTC management to recover the balance amount at the earliest and get it verified from Audit.

Audit recommends that the pointed out amount may be recovered and got verified from audit.

(DP No.274, 275 ,277 & 279)

2.4.2 Non-recovery of outstanding dues – Rs 204.759 million

According to Rule 26 of GFR Vol-I, it is the duty of controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

NRTC management failed to recover the amount from Home Department (Prisons) Govt. of the Punjab & IG Prisons Sindh. An amount of Rs 204.759 million was pending against the delivered equipment supplied. The detail is as under:

Sr No	PDP No	organizations	Subject	Amount Outstanding (Rs)
1	278-21	Home Department (Prisons) Punjab	Non-recovery of outstanding dues	202,302,000
2	280-21	IG Prision Sindh	Failure to complete the project and non-recovery of outstanding dues	2,457,000
		Total		204,759,000

The matter was reported to management and PAO in December 2020.It was replied against Sr.No.1 that the balance amount was pending due to non-availability of funds with concerned agency and would be received after allocation of funds. Against Sr. No 2, it was replied that matter had been taken up with the IG Prisons Sindh for early recovery.

The reply was not acceptable as the management failed to recover the full amount.

DAC in its meeting held on 31st December, 2020 directed the NRTC management to recover the balance amount at the earliest and get it verified from Audit.

Audit recommends that the pointed out amount may be recovered and got verified from audit.

(DP No.278 & 280)

2.4.3 Loss due to exclusion of Foreign Exchange fluctuation clause – Rs 54.111 million

According to Exchange Rate Fluctuation clause mentioned in different contract agreements for purchase of Software Defined Radios (SDRs), "any fluctuation in rates of exchange at the time of opening of Letter of Credits and subsequent variation at the time of payment will be made at actual exchange rates on production of bank documents. In case of increase in US dollar rate, the purchaser will make payment of additional amount to the NRTC".

A contract amounting to Rs 749,676,368 (US$ 1,960,547) for provision of 222 SDRs was made on 09.05.2019 but the fluctuation clause was excluded from the contract agreement despite the fact that exchange rate fluctuation clause was available in the main contract and US$ was locked at Rs 140 during 2019-20. The management of NRTC sustained loss amounting to Rs 54,111,097 due to the exclusion of exchange rate fluctuation clause.

The matter was reported to management and PAO in December 2020.It was replied that due to non-availability of foreign exchange budget with concerned agency, contract was signed in Pakistani Rupee. In order to avoid loss of business in respect of SDRs contract without fluctuation clause was accepted by NRTC.

The reply was not acceptable as NRTC sustained loss due to exchange rate fluctuation.

DAC in its meeting held on 31st December, 2020 directed the management to share the outcome of the case sent to DG Munitions Production for consideration and necessary amendment in the contract besides recovery of loss due to fluctuation and got verified from audit.

Audit recommends that concerned agency may be approached for recovery of exchange rate fluctuation loss and got verified from audit.

(DP No.302)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION DIVISION

CHAPTER-3

IGNITE NATIONAL TECHNOLOGY FUND

Chapter 3

Ignite National Technology Fund (MoIT&T)

3.1 Introduction

A) Federal Government established a Fund called the Research and Development Fund under sub-section (1) of section 33 C of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006. The Research and Development Fund shall be under the control of the Federal Government and the balance to the credit of the R&D Fund shall not lapse at the end of the Financial Year. The Research and Development Fund shall consist of:

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

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

Federal Government in pursuance of sub-section (2) of section 57 of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 approved the Research and Development Fund Rules, 2006. In terms of Rule (4) *ibid,* MoIT&T established a non-profit company limited by guarantee for implementation of

AUDIT PARAS

3.4 Others

3.4.1 Non-recovery of outstanding dues on account of R&D contributions – Rs 111.603 million

According to section 4.1, under head of payment of fee of license the licensee shall contribute an amount calculated on the basis of @ 0.5% of its annual gross revenue to R&D Fund. Section 4.4.1 further stipulates that the licensee shall make this contribution within 120 days of the end of financial year.

It was observed that R&D Fund management billed through PTA an amount of Rs 1,899,549,463 to different telecom operators towards R&D contributions during financial year 2019-20. Out of this amount, only Rs.1,787,945,820 was received. Hence, R&D Fund management failed to recover an amount of Rs 111,603,643 from telecom operators. Detail of the outstanding dues as per R&D Fund Ledger is under:

Sr No	Operators	Billing 2019-20	Receipt in MoIT&T	Outstanding
1	4B Gentel	3,355,763	535,848	2,819,915
2	Global Connect	1,240,070	-	1,240,070
3	Link Dot Net	39,530,237	34,193,889	5,336,348
4	Multinet	19,227,202	-	19,227,202
5	Naya Tel	1,655,140	370,875	1,284,265
6	NTC	18,215,017	14,100,600	4,114,417
7	OPtix	75,384	72,287	3,097
8	PTCL	314,744,250	281,079,888	33,664,362
9	Ufone	240,853,704	240,610,683	243,021
10	Mobilink	770,780,304	758,829,033	11,951,271
11	Telenor LDI	6,503,611	3,150,728	3,352,883
12	Telenor Pakistan	459,573,114	455,001,989	4,571,125
13	Worldcall Telecom	23,795,667	-	23,795,667
Total		**1,899,549,463**	**1,787,945,820**	**111,603,643**

The matter was reported to management and PAO in November 2020. It was replied that PTA was mandated under the rules to force the licensee for making timely payments to the Fund. A letter had been issued to PTA for early recovery of outstanding dues from telecom operators.

The reply was not acceptable. As per rules, Fund management had a direct control and is a beneficiary of the contributions (R&D and USF). So, a mechanism may be evolved at Fund management level to write a reminder directly to telecom operators for early recovery of contributions.

DAC in its meeting held on 29th December, 2020 directed management that the recovery process may be expedited, court case be pursued vigorously and progress thereof be intimated to audit.

Audit recommends that vigorous efforts be made to recover the outstanding dues from telecom operators at the earliest and get it verified from audit. Further, the court cases/show-cause notices be pursued vigorously for early recovery of outstanding dues under litigation.

(DP No.76)

CHAPTER-4

NATIONAL TELECOMMUNICATION CORPORATION (NTC)

Chapter 4

National Telecommunication Corporation (NTC) (MoIT&T)

4.1 Introduction

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

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

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

B) Comments on Budget and Accounts

NTC management did not provide the annual audited accounts till finalization of the Audit Report, hence, no comments on accounts could be rendered.

Table-I Audit Profile of National Telecommunication Corporation (NTC)

(Rs in million)

SrNo	Description	Total Nos	Audited	Expenditure audited FY 2019-20	Revenue / Receipts audited FY 2019-20
1	Formations	15	08	3,968.542	4,100.280
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,975.871 million were raised in this report during the current audit of NTC. This amount also includes recoveries of Rs 454.658 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)

Sr No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	119.522
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	3,856.350

4.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	1996-97	16	03	03	00	100
2	1997-98	11	11	11	00	100
3	1999-00	15	15	15	00	100
4	2000-01	17	17	17	00	100
5	2001-02	16	16	12	04	75
6	2004-05	16	16	16	00	100
7	2005-06 SAR	31	31	00	31	00
8	2005-06	15	15	15	00	100
9	2006-07	17	17	14	03	83
10	2007-08	13	07	00	07	00
11	2008-09	22	22	21	01	95
12	2010-11	30	23	20	03	87
13	2013-14	38	03	02	01	67

AUDIT PARAS

4.4 Irregularities

A. Procurement related irregularities

4.4.1 Un-justified capital expenditure incurred after issuance of PC-IV – Rs. 54.025 million and variation in two completion reports of the same project Rs 65.496 million.

According to Para 1.55 of Manual for Development Projects, PC-IV form is required to be submitted at the time when the project is adjudged to be complete. Further, as per Rule 88 of GFR Vol-I, the authority administrating a grant is ultimately responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within the grant.

Audit observed that project of National Data Centre (NDC) Islamabad was completed on 08-08-2016 with a cost of Rs. 420,080,705 and accordingly PC-IV issued. Capital expenditure of Rs. 54,025,227 was incurred during 2019-20 on account of payment of VMWare Cloud. The expenditure was required to be charged as recurring expenditure instead of Work in Process (Capital). Further, there was a difference of Rs 65,496,327 in two completion reports of the same project.

The matter was reported to management and PAO in November 2020.It was replied that after incorporation of all expenditures, upon completion of the said project, the project was closed at a total cost of Rs.420,080,705 and accordingly PC-IV was issued. Further, an interim CR of Rs 356,184,258 was issued in accordance with IAS-16 to recognize the assets in the books of Accounts.

The reply was not acceptable as an unjustified allocation of Rs. 46.617 million was obtained after issuance of PC-IV against NDC Islamabad to meet such capital expenditure. This resulted in over and above expenditure than budget allocation. Further, completion date of the project as per PC-IV was 08-08-2016 whereas provisional CR had been issued on 16-07-2017.

DAC in its meeting held on 5th December 2020 linked this para with the inquiry conducted by MoIT&T on similar nature paras. The para may be concluded in the light of the inquiry report.

Audit recommends immediate implementation of DAC directives.

(DP No.36 & 37)

4.5 Others

4.5.1 Pension Fund deficit due to non-recognition of liability - Rs 3,401.692 million

According to International Accounting Standard (IAS) 19, that an entity uses an actuarial technique (the projected unit credit method) to estimate the ultimate cost to the entity of the benefits that employees have earned in return for their services in the current and prior periods; discounts that benefit in order to determine the present value of the defined benefit obligation and the current service cost; deducts the fair value of any plan assets from the present value of the defined benefit obligation; determines the amount of the deficit or surplus.

Audit observed as per Actuarial Valuation Report submitted by M/s Akhtar & Hasan (Pvt.) Ltd. Karachi, that an amount of Rs. 3,401,692,000 was payable to NTC Pension Fund as on 30-06-2016 to meet the deficit according to. The same was still not transferred to Pension Fund as on 30-06-2020

The matter was reported to management and PAO in November 2020. It was replied that matter for recognition of Pension Liability was in process. Amount would be incorporated in Final Accounts for the financial year 2019-20 for transfer to Pension Fund and record would also be provided to Audit for verification.

DAC in its meeting held on 5th December 2020 directed the management to incorporate the amount in final accounts and get it verified from audit.

Audit recommends immediate implementation of DAC directives.

(DP No. 45)

4.5.2 Non-recovery of Revenue Receipts – Rs 183.223 million

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

Audit observed that NTC management failed to recover an amount of Rs 239,039,640 on account of outstanding dues against National Data Centre, Co-location charges, Multi Services Data Network (MSDN) Intranet, Webhosting, Long Distance Circuits & Interconnect charges during FY 2019-20. Detail is as under:

Sr No	PDP No	Description	Amount (Rs)
1	16-21	Non recovery of outstanding dues against National Data Center	159,182,273

2	46-21	Non recovery of outstanding dues against co-location, Multi Services Data Network (MSDN) Intranet, Webhosting, Long Distance Circuits	23,725,300
3	48-21	Non recovery of Interconnect charges from mobile operators	56,132,067
Total			**239,039,640**

The matter was reported to management and PAO in November 2020. It was replied against Sr. No. 1 to 3 that an amount of Rs 118.622 million had been recovered. During verification, audit verified an amount of Rs 55.816 million was excluded, leaving the recoverable balance of Rs 183.223 million. Therefore, amount of para was reduced to the extent of verified amount.

DAC in its meeting held on 5th December 2020 directed the management to make hectic efforts for recovery of remaining amount and the same be got verified from audit within 15 days.

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

(DP No.16, 46, & 48)

4.5.3 Non-recovery of outstanding dues from subscribers – Rs 149.743 Million

Rule 8 and 26 of GFR Vol-I stipulate that it is the duty of the departmental controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account. No amount due to government should be left outstanding without sufficient reasons, and where any dues appear to be irrevocable the orders of competent authority for their adjustment must be sought.

NTC management failed to recover an amount of Rs 197.703 million on account of working, closed, digital subscriber lines (DSL), casual, wireless local loop (WLL), primary rate interference (PRI), and un-identified connections from different departments/ subscribers during Financial Year 2019-20. Detail is as under:

Sr No	PDP No	Name of Unit	Amount (Rs in million)
1	25-21	Director NTC Islamabad & Rawalpindi	33.403
2	54-21	Director NTC Karachi	9.714
3	141-21	Director NTC Quetta	73.724
4	171-21	Director NTC Lahore	64.001
		Director NTC Peshawar	6.239
		Director NTC Multan	10.622
Total			**197.703**

The matter was reported to management and PAO in November 2020. It was replied that an amount of Rs 62.175 Million had been recovered and efforts were underway to recover the remaining amount. During verification, an amount of Rs 47.960 million was verified leaving the recoverable balance of Rs 149.743 million. Therefore, the amount of para was reduced to the extent of verified amount.

DAC in its meeting held on 5th & 29th December 2020 directed the management to recover the remaining amount and get it verified from audit within 15 days.

Audit recommends that hectic efforts be made to recover the remaining amount and get it verified from audit.

(DP No.25, 54, 141, &171)

4.5.4 Non-recovery of outstanding dues from PTCL - Rs 121.692 million

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

Audit observed that bill amounting to Rs 121,691,915 was raised to PTCL on account of various services during 2019-20 but NTC management failed to recover the amount. Further, no reconciliation for settlement of claims with PTCL from July 2019 to April 2020 was made.

The matter was reported to management and PAO in November 2020. It was replied that reconciliation between NTC and PTCL was a continuous process and was made on the basis of settlement sheets of different components i.e. co-location, Tie-Pairs, OFC Pairs, Long Haul E1s/FE Media, Local E1s/FE Media, traffic etc. duly signed between relevant quarter of NTC and PTCL. As soon as the same is finalized, the outstanding dues would be recovered from PTCL. The reply was not acceptable as the reconciliation with PTCL for the last two years was outstanding and no efforts were made in this regard.

DAC in its meeting held on 5th December 2020 directed to recover the amount and get it verified from audit within 15 days.

Audit recommends that the outstanding amount may be recovered/reconciled with PTCL as per directions of the DAC under intimation to audit.

(DP No.47)

CHAPTER-5

SPECIAL COMMUNICATIONS ORGANIZATION (SCO)

Chapter-5

Special Communications Organization (SCO)

(MoIT&T)

5.1 Introduction

A) Special Communications Organization was established in July, 1976 for the operation, expansion, maintenance and modernization of telecom system in Gilgit Baltistan including Azad Jammu and Kashmir. It is managed by a Project Management Board under the Chairmanship of Signal Officer in Chief (Army). Its administrative control is with the Ministry of Information Technology and Telecommunication (MoIT&T).

DG SCO exercises administrative and financial powers given in Financial Budgeting, Accounting and Audit (FBA&A) Procedure as approved by the Project Management Board. Its accounts are maintained on the accounting system of erstwhile 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

SCO management did not provide receipt and expenditure accounts till finalization of this Report despite continuous pursuance by Audit. Hence, no comments on accounts could be made. However, audit had observed that the Receivable Management, Financial Reporting & Controls of the entity were weak as evident from the ensuing audit paras.

Table-I Audit Profile of SCO

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2019-20	Revenue / Receipts audited FY 2019-20
1	Formations	11	04	7,532.516	4902.000
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	01	01	323.869	-

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 134.010 million were raised in this report during the current audit of SCO. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in million)

Sr No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and	-
3	Irregularities	-
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	134.010

5.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	1992-93	22	22	18	04	82
2	1996-97	00	00	00	00	000
3	1997-98	04	04	04	00	100
4	1999-00	07	07	07	00	100
5	2000-01	05	05	05	00	100
6	2001-02	05	05	05	00	100
7	2005-06	09	09	09	00	100
8	2008-09	14	14	14	00	100
9	2010-11	16	16	13	03	81
10	2013-14	22	03	02	01	67

AUDIT PARAS

5.4 Others

5.4.1 Non-imposition of Sales Tax /FED on Digital Subscriber Line-Rs 86.277 million

According to Deputy Commissioner Inland Revenue (Provincial Taxes) Mirpur Azad Kashmir letter dated 24.09.18, Sales Tax on Services (on all types of Telecom Services including Internet Services) tax @ 19.5% will be deducted. Further, Sl. No. 43 of Sales Tax Act 1990 adopted by Azad Government of the State of Jammu and Kashmir stipulates that there is 19.50% FED on Telecommunication services.

It was observed that an amount of Rs. 442,446,593 on account of Digital Subscriber Line (DSL) was earned by AOTR Muzaffarabad & Mirpur during 2019-20 but Sales tax on services/FED @ 19.50% amounting to Rs 86,277,085 was not imposed causing loss to the government exchequer.

Sr No	PDP No	Subject	Amount (Rs)
1	234-21	Non-imposition of Sales Tax /FED on Digital Subscriber Line.	86,277,085
2	84-21	Non-imposition of FED on DSL.	-
Total			**86,277,085**

The matter was reported to management and PAO in December, 2020. It was replied that advance income tax @ 12.5 % of the amount of bill or sales price of internet prepaid card will be imposed.

The reply was not acceptable. The deduction of advance income tax was also mandatory along with sales tax.

DAC in its meeting held on 30th December 2020 directed the management that FED be imposed and recovered from subscribers and get it verified from audit by 10th January 2021.

Audit recommends that DAC directives may be implemented in letter & spirit.

(DP No.234& 84)

5.4.2 Non-deduction of Sales Tax - Rs 29.074 million

According to Sr. No 14, 24 & 39 ibid stipulates that in case of Construction services &consultant's services tax &maintenance and repair services tax @ 5% & 16% respectively be levied. Further, Chapter-II (3) (1) (a) of Sale Tax Act,1990, there shall be charged, levied and paid a tax known as sales tax at the rate of seventeen percent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.

Contrarily, it was observed that SCO management failed to deduct Punjab Sales Tax on Services, and General Sales Tax amounting to Rs 29,074,929 on account of construction services, consultancy services and repair and maintenance of equipment and residential & non-residential buildings during 2019-20 as detailed below:

Sr No	PDP No	Subject	Amount (Rs)
1	88-21	Non-deduction of Punjab Sales Tax on services- Rs 0.469 million	468,800
2	241-21	Less deposit of General sales tax	28,606,129
Total			**29,074,929**

The matter was reported to management and PAO in December, 2020. It was replied against Sr. No. 1 that budget was annually allocated by C&IT branch to SCO and federal taxation was applicable, therefore, Punjab Sales Tax on services was not applicable. Against Sr. No. 2, it was replied that being federal government, Punjab Sales Tax on Services was not applicable.

The reply was not acceptable as PST was applicable on the services rendered in Punjab province and vendor had to be registered with PRA to work with SCO in accordance with above said rules.

DAC in its meeting held on 30th December 2020 directed the management to get the record verified from audit.

Audit recommends that DAC directives may be implemented in letter & spirit.

(DP No.88 & 241)

5.4.3 Unauthorized grant of discount in shape of commission & non-deduction of Income Tax – Rs 18.658 million

According to Rule 12 of Rules of Business, 1973 and Para 9(d) of System of Financial Control and Budgeting, 2006, the approval of Finance Division is required before issuing any orders that may affect the finances of the Federation. Further, according to Section 233 of Income Tax ordinance 2001, the rate of income tax on brokerage & commission for the financial year 2019-20 was fixed @ 12% and 24% for filer and non-filer respectively.

SCO management granted discount in shape of commission @ 8% to its franchises on provision of services without the approval of Finance Division. The mechanism allowing discount/commission as evolved by the SCO management also resulted in non-deduction of income tax from these franchises amounting to Rs. 18,658,286 during 2019-20 as detailed below:.

Sr No	PDP No	Subject	Amount (Rs)
1	78-21	Unauthorized grant of discount in shape of commission to franchisees resulting into non-deduction of Income Tax	6,498,133
2	92-21	Non-deduction of Income Tax on payment of commission/rebate to Franchises	12,160,153
Total			**18,658,286**

The matter was reported to management and PAO in December, 2020. It was replied that in AJK areas, marketing and sale of SIMs / Cards were not dealt with by AOTRs.

The reply was not acceptable as unjustified discount/ commission was granted.

DAC in its meeting held on 30th December 2020 directed the management that procedure for discount /commission be approved from Finance Division and withholding tax be deducted and got verified from audit.

Audit recommends that DAC directives may be implemented in letter & spirit.

(DP No.78& 92)

CHAPTER-6

TELEPHONE INDUSTRIES OF PAKISTAN (TIP)

Chapter 6

Telephone Industries of Pakistan (TIP) (MoIT&T)

6.1 Introduction

A) Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 in collaboration with M/s Siemens under the Companies Act 1913 (Now the Companies Act, 2017). TIP is working under the control of the Ministry of Information Technology and Telecom Division (MoIT&T). At present MoIT&T has submitted re-vitalization plan of TIP to ECC which also includes bailout plan to settle liabilities of TIP. Government of Pakistan owns the entire shareholding of the company through MoIT&T.

The company is engaged in manufacturing and sale of telephone sets, telephone exchanges, allied equipment and energy meters etc. It also provides services for installation and commissioning of telephone exchanges to telecom operators.

B) Comments on Budget and Accounts

TIP management did not provide the annual audited accounts till finalization of the Audit Report, hence, no comments on accounts could be rendered.

Table-I Audit Profile of TIP

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2019-20	Revenue / Receipts audited FY 2019-20
1	Formations	01	01	489.76	5.273
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 54.790 million were raised in this report 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)

SrNo	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
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	54.790

6.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	1990-91	18	18	13	05	72
2	1992-93	19	19	19	00	100
3	1996-97	09	05	02	03	40
4	1997-98	04	04	04	00	100
5	2010-11	27	27	24	03	89
6	2013-14	17	02	01	01	50

AUDIT PARAS

6.4 Others

6.4.1 Loss due to non-claiming of refund of income tax from FBR – Rs 54.790 million

According to section 170(1) of Income Tax Ordinance 2001, a taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess (2) an application for a refund under sub-section (1) shall be made within three years of the date on which Commissioner has issued the assessment order to the taxpayer for the tax year to which the refund application relates. Further, clause (3) (c) ibid clarified that where the Commissioner is satisfied that tax has been overpaid, the Commissioner shall refund the remainder, if any, to the taxpayer. Moreover, as per Rule 8 of GFR Vol-I, it is the duty of the Department to see that the dues of Government are correctly and promptly assessed, collected, and paid into treasury.

Scrutiny of record revealed that refund amounting to Rs 54,789,925 was not claimed by M/s TIP from FBR in violation of above rules since 2014 which caused heavy loss to the organization. The detail is as under:-

Sr No	Tax year	Refundable Income Tax
1	2017	4,084,204
2	2016	41,293,902
3	2015	3,030,461
4	2014	6,381,358
Total		**54,789,925**

The matter was reported to the management and PAO during September 2020. It was replied that company was not eligible for refund of tax because of lapse of three years as per section 17 of income tax ordinance. TIP will ensure submission of such claims in future.

The reply was not acceptable, as the refund claim was not submitted within stipulated period.

DAC in its meeting held on 29th December, 2020 directed the management to file a refund claim with FBR, condonation of delay and share the results with audit.

Audit recommends immediate implementation of DAC directives.

(DP No.159)

CHAPTER-7

UNIVERSAL SERVICE FUND (USF)

Chapter 7
Universal Service Fund (USF)
(MoIT&T)

7.1 Introduction

A) Federal Government established a fund with the name Universal Service Fund under Section 33A of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 to spread the benefits of the Telecom revolution to all corners of Pakistan. The main functions of the Fund are as under:

- 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.
- To improve the broadband penetration in the country.
- To bring significant enhancement of e-services, in rural as well as urban areas of the country.

The Federal Government shall have the power to administer the USF in such manner as may be prescribed. The USF shall be utilized exclusively for providing access to telecommunication services to people in the unserved, underserved, rural and remote areas and other expenditures to be made and incurred by the Federal Government in managing USF. The Federal Government shall be responsible for the coordination and ensuring timely utilization and release of sums in accordance with the criteria as may be prescribed.

Federal Government in pursuance of Sub-Section (2) of Section 57 of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 approved the Universal Service Fund Rules, 2006. In terms of Rule (10) ibid, MoIT&T established a non-profit company limited by guarantee for implementation of USF projects. The company is managed by a Board of Directors headed by Minister of IT as its Chairperson to run the affairs of the company.

B) Comments on Budget and Accounts

1. According to Note 7.1 of the Financial Statements of USF for the year ending 30th June 2020 related to advances, an amount of Rs 18.019 million was appearing as short-term advance to PMCL (Jazz) for the year 2019 and 2020 but the same was not utilized. The reason for non-utilization may be provided to Audit.

2. According to Note 8 related to "short-term prepayments" there was substantial increase of Rs 4.6 million during year 2020 as compared to Rs 1.068 million for the year 2019. The break-up of the said amount has not been provided in the accounts which need clarification.

Table-I Audit Profile of USF

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2019-20	Revenue / Receipts audited FY 2019-20
1	Formations	01	01	5,976.610	-
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 370.798 million were raised in this report during the current audit of USF. This whole amount comprises of recoveries 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)

Sr No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
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	370.798

7.3 Status of Compliance with PAC Directives

No PAC meeting has been held to date

AUDIT PARAS

7.4 Others

7.4.1 Non-recovery of outstanding USF dues - 370.798 million

According to clause 4.1.2.2 of Long Distance International (LDI) License issued under section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, the Licensee shall contribute to the Universal Service Fund an amount calculated on the basis of 1.5% of the Licensee's gross revenue from Licensed Services for the most recently completed Financial Year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. Clause 4.1.2 further stipulates that the licensee shall make this contribution within 120 days of the end of financial year.

Contrary to above, it was observed that the Fund management failed to recover an amount of Rs 370,797,763 on account of USF contributions against the billing issued to the telecom operators during 2019-20.

The matter was reported to management and PAO in October, 2020. It was replied that recovery from operators was ongoing process and updated recovery status would be shared with audit.

DAC in its meeting held on 29th December, 2020 directed that recovery process may be expedited, court cases be pursued vigorously and progress thereof be intimated to audit.

Audit recommends immediate implementation of DAC directives.

(DP No.257)

ANNEXURES

ANNEXURE

MFDAC PARAS

Sr No	PDP No	Subject	Amount (Rs in million)
1.	**PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)**		
1	07-21	Spectrum utilization without renewal of license by SCO	0
2	104-21	Non-deduction of sales tax on services	2.668
3	107-21	Unjustified expenditure incurred due to non-construction of plot	1.591
4	109-21	Irregular expenditure on procurement of VRV/VRF (AC system)	56.619
5	111-21	Un-authorized provision of GSM services	0
6	112-21	Unauthorized expenditure on building works	34.131
7	114-21	Loss due to less claim of Annual Radio Frequency Spectrum Fee	190.433
8	115-21	Irregular payment to Cantonment Board Quetta	8.023
9	120-21	Non-approval of Accounting Procedure of PTA	0
10	131-21	Non-recovery of Late Payment Additional Fee from operators	1.365
		Total	**294.83**

Sr No	PDP No	Subject	Amount (Rs in million)
2.	**FREQUENCY ALLOCATION BOARD (FAB)**		
1	01-21	Irregular appointment of consultant (civil works)	2.070
2	04-21	Irregular appointment of medical consultant	7.484

3	06-21	Loss to National Exchequer due to non-auction of available spectrum of 1800 and 2100 MHz band.	0
4	08-21	Excess deduction of withholding tax on profit	1.411
5	101-21	Unauthorized Expenditure on Building works	33.248
6	118-21	Un-authorized utilization of spectrum by Southern Network Limited (SNL)	0
Total			**44.213**

Sr No	PDP No	Subject	Amount (Rs in million)
3.	**NATIONAL RADIO & TELECOMMUNICATION CORPORATION (PVT.) LIMITED (NRTC)**		
1	276-21	Non-receipt against delivered store	32.186
2	281-21	Non-receipt against rejected Stores	0.905
3	282-21	Non-recovery of repair and maintenance charges	17.157
4	283-21	Non-receipt of Stores and non-deduction of LD Charges	1.988
5	290-21	Excess deduction of Sales Tax	1.869
6	292-21	Un-justified extension of Bank Guarantee after expiry of warranty period and non-recovery thereof	283.533
7	293-21	Un-justified retention of Bank Guarantees by clients despite delivery of equipments	443.033
8	298-21	Blockage of store inventory due to slow moving	16.819
9	299-21	Defective planning and delay in finalization of purchase orders resulted into deduction of LD charges	0.408
10	300-21	Defective planning resulting in deduction of LD charges	0.669

11	301-21	Ill-planning resulting deduction of LD charges	6.215
12	303-21	Poor performance for non-utilization of Capital Expenditure Budget	407.725
13	304-21	Unclear status of the project and blockage of Bank Guarantee	100.000
14	305-21	Non-adjustment / recovery of TA/temporary advances	8.367
Total			**1320.874**

Sr No	PDP No	Subject	Amount (Rs in million)
4.	**ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL (ECAC)**		
1	95-21	Non-finalization of contract for legal consultancy	3.000
2	96-21	Non-penalizing M/s NIFT in violation of ETO, 2002	10.000
3	169-21	Irregular award of project on pre-deposit basis	100.548
Total			**113.548**

Sr No	PDP No	Subject	Amount (Rs in million)
5.	**IGNITE NATIONAL TECHNOLOGY FUND COMPANY**		
1	74-21	Non-development of Intellectual Property Right (IPR) mechanism / Policy resulted in non-commercialization of projects	0
2	75-21	Delay in closure of projects/ proposals due to internal control weaknesses	0
3	167-21	Irregular expenditure on advertisement without open tenders	2.025
Total			**2.025**

Sr No	PDP No	Subject	Amount (Rs in million)
6.	NATIONAL TELECOMMUNICATION CORPORATION (NTC)		
1.	11-21	Loss due to un-justified delay in payment	1.501
2.	12-21	Loss due to un-justified conversion of US dollars	0.457
3.	14-21	Un-authorized expenditure incurred due to conversion of EOL	0.896
4.	15-21	Un-justified payment on account of Unified Network Management System (UNMS)	16.484
5.	17-21	Loss due to non-inclusion of GST in project cost	13.253
6.	18-21	Un-justified expenditure on behalf of President Secretariat	1.322
7.	19-21	Non-recovery of quarter rent	1.098
8.	20-21	Un-justified expenditure over & above the PC-IV cost	88.436
9.	21-21	Loss due to demolishing of CC Repeater Huts	9.437
10.	22-21	Non-transfer /mutation of ownership of land of Microwave Station to NTC	0
11.	24-21	Non-recovery of damage charges from CDA	4.931
12.	28-21	Short receipt of advance against pre-deposit work	2.530
13.	30-21	Non-Recovery of pending FCC amount against PAF	34.031
14.	31-21	Un-justified retention of GST/PST as security deposit	1.071
15.	32-21	Irregular renewal of contract instead of regularization of employees	0
16.	33-21	Un-authorized launching of Go Smart mobile application and loss of revenue	2.833

17.	35-21	Irregular expenditure on construction	8.271
18.	38-21	Un-authorized procurement and loss thereof to NTC	59.058
19.	39-21	Un-justified procurement without open tender	8.815
20.	40-21	Irregular award of contract for establishment of DRC at Lahore	689.040
21.	42-21	Non-recovery of standard rent from officer on deputation	1.613
22.	43-21	Short receipt of advance against pre-deposit work	6.240
23.	44-21	Irregular charging of premium on non-schedule items	0.816
24.	49-21	Irregular expenditure incurred on monthly salary	4.983
25.	51-21	Un-authorized allocation of space for store resulting rental loss thereof	1.365
26.	52-21	Un-justified expenditure on account of Right of Way (ROW) charges	0.712
27.	53-21	Irregular payment of house requisition	4.143
28.	55-21	Short deduction of Income Tax	0.047
29.	56-21	Non deduction of withholding tax on hiring of residential accommodation	0.028
30.	57-21	Non deduction of Sindh Sales Tax on Legal fee	0.023
31.	58-21	Irregular payments to Security Agency without observance of Agreement Conditions	2.631
32.	60-21	Non-recovery of standard rent from Unauthorized Occupants/Retired Officers	0.199
33.	61-21	Non disposal of un-serviceable store	4.574
34.	63-21	Non-transfer/Non availability of properties documents	0

35.	64-21	Irregular expenditure on repair and maintenance of office buildings without Tender	1.746
36.	65-21	Non-realization/recovery of outstanding dues from PAF for execution of Pre-Deposit works	11.590
37.	66-21	Non-Execution of work of Loralai	8.500
38.	67-21	Non-deduction of Liquidated damages charges	0.640
39.	68-21	Irregular Advance Payment to the Contractor	10.503
40.	69-21	Abnormal Delay of Project against PC-1	14.694
41.	70-21	Non-Completion of work against Pre-Deposit Work	10.697
42.	71-21	Encroachment of Microwave Station land at Choa Saiden Shah	2.000
43.	72-21	Un-justified expenditure incurred on modification of vehicle	0.454
44.	97-21	Non-recovery on account of damage charges	5.563
45.	133-21	Irregular expenditure incurred on modification of vehicle	0.814
46.	136-21	Non-recovery of damage charges	12.258
47.	137-21	Un-authorized write off assets	5.284
48.	138-21	Non- transfer of title of land to NTC	0
49.	139-21	Non-Recovery of pending FCC amount against PAF	20.547
50.	140-21	Irregular expenditure on payments of security guards and non-imposition of penalty without observance of contract conditions	0.575
51.	142-21	Irregular expenditure on DSL service charges	0.735
52.	143-21	Overstated NTC revenue accounts	36.920

53.	170-21	Non-recovery of rent	2.291
54.	201-21	Unauthorized expenditure due to retention of posts excess over sanctioned strength	2.112
55.	204-21	Non-auction/disposal of unserviceable store	0.728
56.	207-21	Loss due to non-recovery of rent from PTCL	2.958
57.	209-21	Non-vacation of co-location facility resulting non-realization	2.186
		Total	**1124.633**

Sr No	PDP No	Subject	Amount (Rs in million)
7.		**TELECOM FOUNDATION (TF)**	
1	175-21	Irregular appointment as Assistant Manager and unjustified promotion as Manager (Projects)	3.088
2	176-21	Un-justified promotion as Deputy Manager (Finance) and payments thereof	2.271
3	183-21	Unauthorized deduction of withholding tax by the tenants	28.086
4	184-21	Unlawful / irregular grant of short-term loan to M/s. TF Pipes Ltd and non-recovery thereof	23.172
5	185-21	Non-recovery of retention money from organizations	8.905
6	186-21	Loss due to mismanagement / delay in completion of project	10.102
7	188-21	Delay in completion of project and non-receipt of amounts	1.339
8	190-21	Non recovery of security deposit from client departments	0.615

9	192-21	Loss due to short realization of rent from tenant at TF Complex	24.086
10	193-21	Short realization of rent from Drug Regulatory Authority of Pakistan	20.950
11	198-21	Unauthorized use of space at top floor without rent agreement	14.016
		Total	**136.630**

Sl. No.	**DP No**	**Subject**	**Amount (Rs in million)**
8.	**SPECIAL COMMUNICATIONS ORGANIZATION (SCO)**		
1.	80-21	Non-refund of security deposits relating to PSTN subscribers	2.520
2.	90-21	Non-recovery of outstanding dues from subscribers	0.863
3.	211-21	Non-recovery of outstanding dues	11.971
4.	214-21	Unauthorized payment to contractor without receipt of store	94.001
5.	215-21	Unjustified expenditure incurred on execution of contract	59.550
6.	216-21	Unjustified expenditure incurred on execution of contract	59.950
7.	217-21	Unjustified expenditure on construction of garages /stores	3.333
8.	219-21	Unauthorized payment on account of supply/ installation/ commissioning of 2G/3G/4G Core Network	77.868
9.	220-21	Irregular procurement on account of construction of Commercial Power without PPRs	5.005
10.	221-21	Irregular payment on account of Satellite Bandwidth Charges	288.418
11.	222-21	Non-appearance of security deposits relating to PSTN subscribers	5.095

12.	227-21	Undue favour granted to the contractor due to amendment in contract agreement	375.578
13.	231-21	Irregular award of contract without advertisement	0.700
14.	232-21	Undue favour granted to the contractor	42.623
15.	235-21	Non- recovery of FED on Bandwidth charge	1.684
16.	237-21	Un-authorized payment on account of procurement of generators	102.931
17.	239-21	Unauthorized Procurement of generators in excess of PC-I	34.012
18.	240-21	Unjustified increase in re-appropriated cost of PC-I	20.000
19.	242-21	Non-Deduction of Income Tax	0.543
20.	247-21	Irregular Expenditure of Pay and Allowances to the Staff of CMA (FWO).	30.053
21.	248-21	Non-deduction of penalty on delayed deposit of performance bond	1.114
22.	249-21	Unjustified excess acceptance against budget allocation	118.796
23.	251-21	Unjustified change in scope of work in revised PC-I	2,995.000
Total			**4,331.608**

Sr No	PDP No	Subject	Amount (Rs in million)
9.	**TELEPHONE INDUSTRIES OF PAKISTAN (TIP)**		
1	153-21	Irregular expenditure on appointment of legal advisor	2.178
2	155-21	Irregular/unauthorized payment to M/s E-Square without contract agreement	1.376
3	157-21	Irregular expenditure without tendering	0.385
4	160-21	Loss to TIP due to delayed reinvestment of Regular Income Certificate (RIC)	9.230

5	161-21	Loss due to deduction of Withholding Tax at higher rates	5.903
6	162-21	Loss to TIP due to deduction of Zakat against saving account	4.979
7	163-21	Doubtful investments not on record	3.500
8	164-21	Non recovery of Standard Rent	1.615
9	165-21	Inactive current account balance and expected loss thereof	2.303
Total			**31.469**

Sr No	**PDP No**	**Subject**	**Amount (Rs in million)**
10.	**UNIVERSAL SERVICE FUND (USF)**		
1	256-21	Non-receipt of amount unlawfully transferred to FCF	57,210.500
2	261-21	Non-recovery of LD charges due to grant of irregular and unjustified force majeures	55.320
3	262-21	Un-authorized expenditure on pay & allowances	124.206
4	265-21	Unlawful expenditure beyond the mandate of USF	15.820
Total			**57,405.846**