AUDIT REPORT
ON
THE ACCOUNTS OF
TELECOMMUNICATION SECTOR
AUDIT YEAR 2019-20

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 the 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 during July to November for the financial year 2018-19 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. Most of the observations included in this report have 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: 18th February, 2020

(**Javaid Jehangir)**
Auditor-General of Pakistan

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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	Central 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 Coordination Officer
DDO	Drawing & Disbursing Officer
DDP	Delivery Duty Paid
DDWP	Departmental Development Working Party
DOMSAT	Domestic Satellite Communication System
DPC	Departmental Promotion Committee

DPLC	Domestic Private Leased Circuits
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
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
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 Officer
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
RIO	Reference Interconnect Offer
ROW	Right of Way
SCO	Special Communications Organization
SDA	Special Drawing Account
SDR	Software Defined Radios
SECP	Security & Exchange Commission of Pakistan
SLA	Service Level Agreement
SME	Small Medium Enterprises
SP	Service Provider
SSA	Service Subsidy Agreement
TDM	Time Division Multiplexing
TO&E	Temporary Office Establishment
TT	Telegraphic Transfer
UPS	Uninterrupted Power Supply
USF	Universal Service Fund
VIM	Virtual Inter-connect Media
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 2018-19 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) 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 private limited company incorporated under the Companies Ordinance, 1984 (Amendment 2017). Special Communications Organization (SCO) was established under the directives of Prime Minister in 1976. Telecom Foundation was established under Charitable Endowments Act 1890 in November 1991. The Electronic Certification Accreditation Council (ECAC) was established on 18th September 2004 under Electronic Transactions Ordinance (ETO) 2002. PTA & FAB are under administrative control of Cabinet Division. The Ministry of Defence Production (MoDP) administers NRTC, whereas, ECAC, Ignite, NTC, SCO, TF and USF Company are under the control of the Ministry of Information Technology & Telecom Division (MoIT&T).

The Director General, Postal & Telecommunication Services Audit has the mandate to carry out the audit of the above nine (09) entities of 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' only PTA and USF provided financial statements for the year 2018-19. NTC and TF provided financial statements for the year 2017-18 whereas FAB, NRTC, ECAC, Ignite, NTC, SCO & TF did not provide the financial statements/ Receipt & Expenditure account for the year 2018-19 till the 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 36.311 million for the Financial Year, a human resource of 41 officers & allied staff and utilized 3,588 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 19.805 billion and collected receipt of Rs 28.056 billion during the Financial Year 2018-19.

Audit coverage relating to expenditure for current audit year comprises eighteen (18) formations of 03 PAOs/Ministries having a total expenditure of Rs 12.081 billion for the Financial Year 2018-19. In terms of percentage, the audit coverage for expenditure is 61% of auditable expenditure.

Audit coverage relating to receipt for current audit year comprises eighteen (18) formations of 03 PAOs/Ministries having a total receipt of Rs 6.877 billion for the Financial Year 2018-19. In terms of percentage, the audit coverage for receipt is 24.51% of auditable receipt.

This audit report also includes audit observations resulting from the audit of:

1. Expenditure of Rs 0.250 billion for the Financial Year 2017-18 pertaining to two (02) entities of one (01) PAO/Ministry.

2. Expenditure of Rs 1.588 billion pertaining to previous Financial Years. In addition to the compliance audit report, Director General Audit Postal and Telecommunication Services (P&TS) conducted one (01) financial attest audit of Special Communication Organization (SCO) which is being published separately.

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs 5,115.77 million was pointed out in this report. Recovery effected from January to December 2019 was Rs 943.212 million.

c. Audit Methodology

The desk audit could not be conducted because the telecommunication entities had not maintained their accounts at one central place nor was 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 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.
- DAC has constituted a committee on the issue of awarding licenses and spectrum without approval of FAB Board. Further, the issue of technology neutrality is being addressed in consultation with all stakeholders.
- FAB has got its technical regulations approved from the Board of

Directors which have been submitted to Federal Government for approval.

- FAB has agreed to prepare detailed SOPs while reviewing the existing fee structure on account of holding of Global Maritime Distress and Safety System (GMDSS) and Radio Telecom Operator (RTO) examinations.
- 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 of DAC and PAC directives.
- NTC management has agreed to carry out detail study on continuous operating loss to the corporation which shall be followed by a renewed business plan for revitalizing the organization.
- 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).
- USF management was directed by DAC to frame comprehensive policy on procurement of assets and its ownership against special projects.
- The management of telecommunication entities have agreed to 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. The Key Audit Findings of the Report;

The Audit Report comprises 89 Audit Paras pointing out serious irregularities:

i. Non-production of record was pointed out in two (02) cases equivalent to Rs 39.666 million[1];

ii. HR/Employees related irregularities were identified in twenty-two (22) cases amounting to Rs 239.926[2];

iii. Violation of PPRA Rules were highlighted in twenty-three (23) cases amounting to Rs 3,556.09 million[3];

iv. Three (03) cases of value for money and service delivery issues amounting to Rs 316.402 million[4] were highlighted;

v. Recoveries were pointed out in twenty-two (22) cases amounting to Rs 5,115.77 million[5].

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1. Para 1.4.1 & 5.4.1

2. Paras 1.5.1 to 1.5.6,2.4.1, 4.4.1, 5.5.1, 6.4.1,7.4.1 to 7.4.4, 8.4.1 to 8.4.7 & 9.4.1

3. Paras 2.4.3,2.4.4,3.4.1,3.4.2,4.4.2 to 4.4.4,5.5.1,6.4.2 to 6.4.5, 7.4.5 to 7.4.12, 8.4.8,9.4.2 & 9.4.3

4. Para 4.5.1, 8.5.1 & 8.5.2

5. Para 1.6.1,1.6.2,2.5.1,3.5.1 to 3.5.6,5.6.2,5.6.3,6.5.1 to 6.5.3,7.5.3 to 7.5.5, 8.6.2, 8.6.4,9.4.2, 9.4.3 & 9.5.1

f. Recommendations

i) Telecommunication entities should update and strengthen their internal controls and compliance of 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 which would 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 generally needs to be improved by putting special focus on explicit articulation of clauses, sub clauses and associated terms & conditions followed with detailed explanation of terms that would be helpful in reducing 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. Combinedly, 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. The global telecom statistics reveal that as of 2019-20, there are around 7.7 billion[6] active mobile broadband and 1.1 billion fixed broadband subscriptions across the globe which is an enormous jump from 3.3 billion (mobile broadband) and 850 million (fixed broadband) five years ago. According to GSMA's real time intelligence data, out of the world's population of 7.75 billion, 5.17 billion people own a mobile phone which means that 66.77% of the world population owns a mobile with 9.42 billion mobile phone connections. It is expected that the number of mobile phone users will increase to 7.73 billion by 2023. The 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 positive impact on telecom services.

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[6] *The Mobile Economy 2019, GSMA*

Telecommunication Sector in Pakistan

Pakistan has exercised major developments in the telecom sector. The telecom sector is one of the fastest growing sectors which contribute 3% to 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 interest 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. The international investors have directly contributed $ 5.7 billion in the telecom sector since 2005 whereas FDI during F.Y 2018-19 was $ 114 million[7].

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 subsequent to 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% shares were sold to the public.

The telecom sector was de-regulated in 2003 after the promulgation of the de-regulation policy. Consequently, a number of international cellular operators and ISPs entered the Pakistani market. These included Warid, Mobilink, Zong, Telenor, and Ufone. Later on,

[7] *Economic Survey of Pakistan 2018-19*

Jazz was formed after the merger of Warid with Mobilink. In addition, 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 (MoITT), 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 830.86 billion to the national exchequer during the last five years as detailed given below:

(Rs in billion)

Year	GST	PTA Deposit	Others	Total
2013-14	60.12	96.5	79.16	235.76
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	14.90	84.15	147.23
Total	**244.52**	**185.63**	**400.72**	**830.86**

Source: PTA's Annual Report 2017-18

The Frequency Allocation Board (FAB) is assigned the role to allocate spectrum and monitor the use of the 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 mobiles legally operational 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 159 million with a net addition of 8.8 million subscribers from July 2018 to March 2019[8]. There are 40.53 million internet users. Tele-density in Pakistan is growing rapidly; 73 million 3G/4G operators (34.7% penetration); 75 million broadband users (36% P) and 3 million basic telephone users. From 0.3 million subscribers in 2000,

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[8] *PTA's Annual Report*

the current number stands at 163 million in 2018. Nearly 9 million subscribers were added in FY 2018-19 alone. Pakistan is among the top 10 countries with 100 million plus subscribers. Keeping in view the market trends, it is expected that 17 million subscribers will be added by 2020 taking total subscribers to 180 million.

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 in terms of improving of 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 years life. PTA has fixed the renewal price at $449.2 million which prompted the Telcom operators to move to the Courts seeking identical treatment with Ufone whose license was renewed @ US$ 291 million. While the three telecos have deposited 50% of the renewal fee, 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[9] of their

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[9] Previous audit reports

licenses. The matter has been pointed out by audit on account of potential loss of millions of dollars. Further, contractual management issues in PTA have led to disputes and litigation with service providers blocking potential revenue amounting to Rs 93 billion[10]. 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. MoIT 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 of 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 permissions to operate 5G operations in the country. A high-powered technical committee should be mandated to look 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.

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[10] Receivable report of PTA

Financial Management & Governance Issues

The telecommunication sector contributes significantly to the economy in the form of FDI, infrastructure development and creation of jobs but has also been marred with issues pertaining to 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 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 and Ministry of Finance on account of less deposit of dues in FCF to the tune of billions of rupees[11] needs to be resolved at the earliest. Audit has pointed out procurement related irregularities to the tune of Rs 3.5 billion in 23 cases.

Conclusion

Pakistan, despite witnessing dramatic growth of telecom sector, is still at an early stage of development with penetration is still below most other Asian countries. Strong growth is expected in the near future mostly due to adoption of 4G/LTE and eventually with the launch of 5G services. Notwithstanding the fact that 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 constrains, renewed focus on telecom sector will help in bringing revenue and foreign exchange while creating diverse employment opportunities. Therefore, role of Ministry of Information Technology and Telecommunications and particularly Pakistan Telecommunication Authority (PTA) has become

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[11] Reconciliation of MoIT & PTA

pivotal for economic growth and employment generation. Every single stakeholder stands to 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 (PTA)
(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 de-regulation 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 with respect to 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) As per note 11.12 of the accounts, Ministry of Finance (MoF) directed PTA management to contribute 3% of PTA's receipts per annum to the Competition Commission of Pakistan (CCP) pursuant to the CCP (Collection of Fee & charges) Rules, 2009. PTA has not paid the contribution. This resulted into significant understatement of liabilities and overstatement of profit.

2) As per note 22.1 related to other income, PTA charged mark up on Initial Spectrum Fee (ISF) for Next Generation Mobile Service (NGMS) @ 4.75% to 5.79% per annum from operators who had opted to pay ISF in instalments (due to receiving money in instalments instead of lump sum). However, as per note 19.2, PTA earned 5.5% to 10.25% mark on bank deposits on local currency accounts. This resulted into less receipts.

3) As per note 5.2 of the accounts, PTA made an adjustment, "Due from Public Account" Rs 5,636.596 million and transfer to tax refund, "Due from government to Public Account" which is not justified as tax matter cannot be adjusted in Public Account.

4) Fixed Asset Turnover Ratio (Sales/Net Fixed Assets) is decreasing by more than 35% (i.e. 12.26 times in FY-2019) as compared to last year's ratio which was 36.22 times which shows that the management of the company is unable to utilize its Fixed assets efficiently.

Table-I Audit Profile of Pakistan Telecommunication Authority

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	09	01	1,672.731	12,768.441
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
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 564.537 million were raised in this report which includes recoveries amounting to Rs 520.019 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	44.518
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	520.019

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	2016-17	21	21	15	06	72

AUDIT PARAS

1.4 Non-production of record

1.4.1 **Non-production of record**

According to Para 14 (3) of the powers and functions of the Auditor-General of Pakistan states that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant efficiency and discipline rules, applicable to such person.

PTA management did not provide HR files of employees and record relating to litigations/court cases filed by various telecom operators and others against PTA despite several written and verbal requests during 2018-19.

The matter was reported to PAO and management in October, 2019. It was replied that Ministry of Law and Justice had opined that Auditor General shall conduct the audit of accounts only. The reply was not acceptable as the Sub-Committee-I of PAC while discussing the Audit Report 2017-18 of OGRA on July 15, 2019 directed the PAO/Secretary Cabinet to provide all record to Audit as and when demanded.

DAC in its meeting held on 6th January, 2020 considered the issue as serious enough and directed PTA to provide requisite HR record to audit during next year. It further directed to conduct Special Audit of court cases by the office of AGP.

Audit recommends immediate implementation of DAC directives.

(DP Nos 201 & 202)

1.5 Irregularities

A. HR/Employees Related Irregularities

1.5.1 Irregular appointment of officers - Rs 14.235 million

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

PTA management did not observe the prescribed provincial/regional quota and appointed nine (09) officers/officials in violation of regulations. Therefore, expenditure on account of pay and allowances amounting to Rs 14,235,312 incurred during 2018-19 was held irregular.

The matter was reported to PAO and management in October 2019. It was replied that merit and preference of domicile of FATA/Sindh/GB were clearly mentioned in the advertisement. Appointments were made on the recommendation of the Departmental Selection Committee and with the approval of the Chairman. The reply was not acceptable as candidates placed at 4th to 36th position of the merit lists were appointed in violation of merit/ quota policy.

DAC in its meeting held on 6th January, 2020 directed to carry out Fact Finding Inquiry by Cabinet Division at the level of Joint Secretary, within 4-weeks.

Audit recommends immediate implementation of DAC directives.

(DP No. 205)

1.5.2 **Loss due to non-claiming of surrender value - Rs 11.956 million.**

According to Regulation 103 of PTA Employee Service Regulations 2008, after initial appointment an employee shall be liable to contribute on monthly basis towards the contributory provident fund (CPF) at the rate of 10% of the running basic pay, the equal contribution shall also be made by the Authority on monthly basis, which shall be payable to the employee at the time of retirement/leaving the service without any profit/mark-up.

Audit observed that the Chairman PTA approved the life insurance scheme for PTA employees against CPF contribution and made an agreement with M/s State Life Insurance Corporation (SLIC). An amount of Rs 11,955,944 on account of first annual premium was paid to M/s SLIC. The scheme was discontinued due to non-payment of second annual premium on 01-11-2012. But the paid amount was not claimed from SLIC. Fact Finding Inquiry was conducted which recommended disciplinary proceedings against the responsible but no action was initiated.

The matter was reported to PAO and management in October, 2019. It was replied that the scheme was discontinued by the Authority and policy files were handed over to the employees to continue their policies. The reply was not acceptable as the amount of CPF would only be paid to the employees at the time of retirement/leaving the Service.

DAC in its meeting held on 6th January, 2020 directed the PTA management to recover the amount either from SLIC or employees. It further directed to take necessary steps in the light of recommendations of fact-finding inquiry under report to audit.

Audit recommends immediate implementation of DAC directives.

(DP No.196)

1.5.3 **Irregular payment of pay & allowances -Rs 8.345 million**

Finance Division vide its OM No. F.3(11) R-4/2009-FAB dated 24-03-2015 had clarified that as per MP Policy, officers appointed in MP Scale cannot hold lien with their parent cadre/ Ministry/Division/Organization etc. Further, PTA had also deleted lien and seniority from its employees service rules in its Authority meeting held on 18-10-2007.

Audit observed that Mr. Abdul Samad resigned from the post of Director General (SEG-1) PTA on 30th May, 2014 which was approved and conveyed to the Cabinet Division but he was allowed to re-join as Director General (SEG-1) w.e.f. 30th May, 2018 after expiry of four (04) years term as Member (Compliance & Enforcement) PTA on 29-05-2018 in violation of above rules. Therefore, payment of pay & allowances Rs 8,345,178 made to said officer was held irregular.

The matter was reported to PAO and management in October, 2019. It was replied that Cabinet Division vide letter dated 13-05-2016 issued the terms and conditions for the post of Member (MP-II) and also granted lien to the officer. It was further informed that the case was sub-judice in the court of law. The reply was not acceptable as the officer had resigned as Director General in pay group SEG-1 before joining as Member (C&E) which was accepted and forwarded to Cabinet Division.

DAC in its meeting held on 6th January, 2020 directed the management to pursue the case vigorously in the court of law and outcome be shared with PAO/audit.

Audit recommends that matter may be pursued in the court of law vigorously under report to PAO/Audit.

(DP No.206)

1.5.4 **Unjustified payment of gratuity- Rs 8.210 million**

According to Rule 19(2) of PTA Employees Service Regulations 2008, Civil servants, officers and staff of the Armed Forces, employee of Federal, Provincial or Local Governments, and employees of the corporations or other autonomous or semi-autonomous bodies setup, managed, controlled or funded by the Federal Government or, as the case may be, by any Provincial or Local Government, holding appointment on regular basis, may, with the consent of government, authority, or body concerned be appointed by the chairman on deputation to appropriate posts in the Authority. Further, Rule 102 (6) (d) states that the period shall not be counted towards service qualifying for gratuity if gratuity is allowed and paid by borrowing organization to the Employees on deputation outside PTA, the time spent on such deputation.

Audit observed that Syed Akhlaq Hussain Musavi an employee of PTCL was allowed to join PTA on deputation basis as Director (Enforcement) w.e.f. 31-12-2009 and permanently absorbed in PTA on 05-11-2012. He was retired from PTA on 31-03-2019 after attaining the age of superannuation. An amount of Rs 13,183,302 was paid to him as gratuity including benefits of period of service rendered in PTCL instead date of joining in PTA. This resulted into overpayment of Rs 8,209,958 to the officer. Detail of overpayment is as under:

Sr No	**Description**	
01	Service in PTCL	24 Years
02	Service in PTA	09 Years
03	Total Service	33 Years
04	Gross salary last drawn	399,494
05	Gratuity paid (399,494*33)	13,183,302
06	Gratuity due (399,494*9)	4,973,344
	Overpayment (5-6)	**8,209,958**

The matter was reported to PAO and management in October, 2019. It was replied that rights of all the regular employees of PTCL were protected under the Telecom Act, 1996 and end service benefits were calculated in the light of PTA Employees Service Regulations 2008. The reply was not acceptable as no provision of pension/GPF was existed in PTA Rules.

DAC in its meeting held on 6th January, 2020 directed CF&AO, Cabinet Division to carryout Fact Finding Inquiry within 4-weeks.

Audit recommends that responsibility be fixed on those held responsible besides recovery of overpaid amount from the officer under report to audit.

(DP No.203)

1.5.5 Irregular payment of family medical charges-Rs 1.772 million

According to Rule 1(c) of PTA Medical Rules 1997, family means wife or wives or as the case may be, husband of an employee, children, step children and parents of the employee whether residing with the employee or not but dependent on him.

Audit observed that an expenditure of Rs 1,772,012 was incurred on account of medical treatment of parents of married female officers/officials which were not dependent on them being government servants. Therefore, the expenditure was held irregular.

The matter was reported to PAO and management in October, 2019. It was replied that expenditure was incurred in accordance with the PTA medical rules. The reply was not acceptable as one-time special permission was granted in 247th Authority meeting held on 05-05-2016 only for the indoor treatment of father of a Deputy Director.

DAC in its meeting held on 6th January, 2020 directed the management to recover the amount and be verified from audit.

Audit recommends immediate implementation of DAC directives.

(DP No.209)

1.5.6 Un-authorized regularization of services of contractual employees

According to Para 64 of Minutes of the meeting of the Cabinet Sub-Committee on regularization of contract/ daily wages employees in the Ministries/Divisions/ Attached Departments/ Autonomous Bodies /Organizations circulated vide Establishment Division's OM dated 17-01-2012, the regularization of the services of 51 officers of PTA were approved in principle, but the Ministry/Division were required to get clearance from the Cabinet Sub-Committee on case to case basis.

It was observed that the services of 30 contractual officers out of 51 were regularized by the PTA management on 10-11-2017 after four and half years. These officers were regularized from the date of appointment instead of date of approval of minutes of meeting by the Cabinet Division. Further, three officers were regularized at one step higher posts i.e. Director General & Director instead of Directors and Deputy Directors. Moreover, the services of two employees were also regularized which were not included in the approved minutes of meeting of Cabinet Division. The regularization of services of these contract employees was held unauthorized being contrary to the Cabinet Sub Committee instructions.

The matter was reported to PAO and management in October, 2019. It was replied that the post of Chairman PTA was vacant at that time and the case of regularization was approved on 10-11-2017. The reply was not acceptable as the Chairman had joined PTA on 12-11-2013. Further, regularization of services of contract employees was made in contravention of the instructions of Cabinet Sub Committee.

DAC in its meeting held on 6th January, 2020 directed PTA management to provide relevant record for verification and satisfaction of Audit.

Audit recommends that responsibility may be fixed for unauthorized regularization of services of contract employees.

(DP No.212)

1.6 Others

1.6.1 Non-recovery of Annual Regulatory Dues-Rs 341.923 million

According to Para 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 relates. Para 4.4.2 states that in addition to any other remedies available to the authority, late payment of all fees including 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.

Audit observed that PTA management did not recover an amount of Rs 341,922,814 on account of Annual Regulatory Dues (ARDs) from the telecom operators during 2018-19. The detail is as under:

Sr No	Item No	Description	Amount Rs
1	40	Basic Telephony	55,421,711
2	41	Annual License Fee (ALF)-Mobile	4,266,772

3	42	USF Charges	184,585,940
4	43	R&D Contribution	61,785,058
5	44	Annual Spectrum Fee (ASF)	35,863,333
		Total	**341,922,814**

The matter was reported to PAO and management in October, 2019. It was replied that Rs 22.845 million had been recovered and an amount of Rs 14.994 million was adjusted leaving a recoverable balance of Rs 304.083 million. The reply was not acceptable as no documentary evidences in support of reply was provided.

DAC in its meeting held on 6th January, 2020 directed the management to get the recovered/adjusted amount verified from Audit and take due diligence for recovery of left amount.

Audit recommends that the remaining amount may be recovered under report to audit.

(DP No.187)

1.6.2 Loss due to less claim of Annual Radio Frequency Spectrum Fee - Rs 178.096 million

According to clause 4(2) of De-Regulation Policy for Telecom Sector issued by Ministry of IT & Telecom Division in July 2003, entry to Local Loop (LL) market will be unrestricted and open. Any person who requests for a license, and meets the licensing requirements, will be eligible to get a license on payment of the prescribed fee which will be set at the Pak rupee equivalent of US$ 10,000 for a LL license. Further, Clause 1.3.2 of Wireless Local Loop License states that in addition to any other fees payable by the Licensee under the License, the Licensee shall pay an annual fee to the Authority at prescribed rates:

Audit observed that PTA management issued demand notes of Rs 127,146,666 to eleven (11) WLL operators during the year

2018-19 on account of Annual Radio Frequency Spectrum Fee (ARFSF). PTA claimed ARFSF at the exchange rate of Rs 58 equivalent to US$ 1.00 instead of prevalent exchange rates. Resultantly, a heavy loss of Rs 178,096,278 was sustained by national exchequer.

The matter was reported to PAO and management in October, 2019. It was replied that demand notices of ARFSF were issued on the basis of the WLL license condition 1.3.2 which provided a choice to the operator to pay either in US$ or Pak. rupee. The reply was not acceptable as PTA claimed ARFSF in Pak rupees at the exchange rate of Rs 58 equivalents to US$ 1.00.

DAC in its meeting held on 6th January, 2020 decided to place the para before PAC for appropriate directives.

Audit recommends that responsibility may be fixed for not claiming ARFSS dues on prevailing exchange rates causing loss to the national exchequer.

(DP No.218)

1.6.3 Unauthorized utilization of spectrum without renewal of license by SCO

According to Section 5(2)(a) and Section 40 of the Pakistan Telecommunication Re-Organization Act 1996, Pakistan Telecommunication Authority (PTA) granted a license bearing No. 12.5.19/2003(SCO)/RBS dated 16-05-2003 for fifteen years to M/s Special Communication Organization (SCO) to establish, maintain and operate cellular mobile telephone network in Azad Jammu & Kashmir and Northern Areas for fix stations and land mobile stations.

Audit observed that the validity of SCO license expired on 15-05-2018 but the spectrum was being utilized continuously without renewal of the license. PTA management did not take any action against the licensee for unauthorized utilization of spectrum since the expiry of license.

The matter was reported to PAO and management in October, 2019. It was replied that SCO had obtained stay order from Islamabad High Court and the matter was sub-judice.

DAC in its meeting held on 6^{th} January, 2020 pended this para being sub-judice.

Audit recommends that matter may pursued in court of law vigorously

(DP No.216)

CHAPTER-2

FREQUENCY ALLOCATION BOARD (FAB)

Chapter 2
Frequency Allocation Board (FAB)
(Cabinet Division)

2.1 Introduction

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

- 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

FAB 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 Frequency Allocation Board (FAB)

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	01	01	783.843	-
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies under the PAO	01	01	783.843	-
4	Foreign Aided Projects (FAP)	-	-	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,638.890 million were raised in this report during the current audit of FAB. This amount also includes recoveries of Rs 12.025 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	25.714
B	Procurement related irregularities	26.673

C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	1,586.505

***** Audit had also audited the expenditure amounting to Rs 1,572.80 million pertained to previous years.

2.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	1997-98	02	02	02	00	100
2	1998-99	05	05	05	00	100
3	1999-00	04	04	04	00	100
4	2000-01	03	03	02	01	67
5	2002-03	08	08	08	00	100
6	2003-04	05	05	04	01	80
7	2004-05	05	05	04	01	80
8	2005-06	10	10	10	00	100
9	2006-07	02	02	02	00	00
10	2007-08	3	3	1	2	34
11	2008-09	06	06	04	02	67
12	2009-10	07	07	07	00	100
13	2010-11	06	06	05	01	83
14	2013-14	10	10	07	03	70
15	2016-17	05	04	04	00	100

AUDIT PARAS

2.4 Irregularities

A. HR / Employees related irregularities

2.4.1 Unauthorized payment of pay & allowances – Rs 25.714 million (per month)

According to the Finance Division OM No.F.1(38)/Imp-II/88 dated 11.7.1988, No.F.1(1)/ Imp/94 dated 26.6.99, No.F.4(2)/R-4-99 dated 13.1.2000 and No.F-4(8)R-4/2004 dated 19th July, 2004, the financial matters including revision of pay & allowances etc. cannot be decided without approval of the Finance Division. Furthermore, section 42 (3) of Pakistan Telecommunication (Re-organization) Act, 1996 (amended 2006) states that the Board shall make regulations, with the approval of the Federal Government, governing the matter in which the Board may function and exercise its powers.

It was observed that FAB management got approved its regulations as FAB Employees Service Regulations 2007 and 2014 which included the provisions for pay & allowances to FAB employees in line with PTA. Finance Division (Regulation Wing) approved FAB Pay Scales 2007, 2008 & 2011 on 26th August, 2008, 7th September, 2009 and 16th July, 2012 respectively. However, later on FAB management adopted / revised its pay scales without the approval of the Finance Division and continuously paid salaries in line with PTA without consulting/seeking approval of Finance Division. This resulted into unauthorized payment of pay & allowances Rs 25.714 million per month.

Audit pointed this out to the management and PAO during October 2019. It was replied that FAB was directly funded by PTA in accordance with section 42 (2) of the Pakistan Telecommunication (Re-Organization) Act, 1996 and Release of Funds Rule-2011. FAB management adopted pay & allowances in line with PTA with the approval of the Government in the light of approval of FAB Employees (Service) Regulations, 2014. The reply was not acceptable as while discussing the same issue in PAC it was directed to FAB to seek consultation from the competent forum for future payment of pay & allowances.

DAC in its meeting held on 16th January, 2020 upheld its earlier decision dated 02.11.2016 and recommended to settle the para subject to confirmation by PTA through issuance of certificate regarding status of FAB being a sister organization as per PTA Act.

The compliance of DAC instructions was not made therefore audit recommends that the matter may be referred to Finance Division for approval of pay package in line with PTA.

(DP No. 06)

B. Procurement related irregularities

2.4.2 Unauthorized award of building works – Rs 24.925 million

According to MES schedule of rates 2014 application, the schedule rates applicable to every description of work that may be required in the construction and maintenance of building of all kind belonging to hired or occupied by the Government of Pakistan and also include fortifications, roads, landing grounds, drainage, water supply, electrification, together with other engineering works such as sea walls, dock works etc. maintenance or special contracts. Para 1.1 of General Conditions of Pak PWD Schedule of Rates 2012 for Buildings and Roads further states that the execution of works shall be carried out as per Pakistan Public Works Department (PWD) specification 2012.

FAB management awarded the contract for construction of FAB Monitoring Station Building, at Gilgit to M/s Staco Construction (Pvt) Limited after tendering for Rs 24.295 million. Audit observed that estimate/BoQ was prepared on market rates instead of MES/PWD schedule of rates. Therefore, the award of contract was considered as irregular.

Audit pointed this out to the management and PAO during October 2019. It was replied that FAB used the tender documents which were notified by the Pakistan Engineering Council (PEC) and ECNEC/Planning Commission which did not give any reference to use the MES/PWD schedule rates. The reply was not acceptable as the estimate / BoQ was prepared on market rates instead of MES/PWD schedule of rates. Further, market rates were much higher than the schedule rates.

DAC in its meeting held on 6th January, 2020 did not accept the justification of FAB management and decided to place the para before PAC.

Audit recommends that responsibility may be fixed for award of work on market rates instead of MES/PWD schedule rates.

(DP No.04)

2.4.3 Irregular expenditure on building works – Rs 1.748 million

According to Rule 19 of GFR Vol-I, the terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein and provision must be made in contracts for safeguarding Government property entrusted to a contractor.

It was observed that FAB management incurred an expenditure of Rs 1,747,571 on construction of monitoring station building at Gilgit during 2018-19. The expenditure was treated as irregular as the rates for non-BOQ items were paid without consideration of schedule rates or open tendering. Further, the contractor quoted the rate of burnt bricks in BOQ whereas actually blocks were used in construction works.

Audit pointed this out to the management and PAO during October 2019. It was replied that the contractor informed that the progress of the project was suffering due to non-availability of bricks. Therefore, the contractor was allowed to use blocks instead of bricks. The reply was not acceptable as the contractor used blocks in construction work and he was paid rate of burnt bricks.

DAC in its meeting held on 6th January, 2020 directed FAB management to provide the relevant record to Audit for verification and satisfaction of audit.

Audit recommends that responsibility may be fixed for allowing the contractor to use blocks instead of burnt bricks.

(DP No.01)

2.5 Others

2.5.1 **Excess payment on account of rent of office building – Rs 12.025 million**

According to Ministry of Housing and Works O.M No.F/2(1)/2000-Policy dated 21.09.2006 and 14.04.2008 the procedure and rates for hiring of office accommodation at Islamabad and Rawalpindi has been fixed. From April 14, 2008 it was allowed to pay 25% extra rent for high rise centrally air-conditioned buildings. Para 2(IV) further states that cases of buildings proposed to be hired beyond prescribed enhanced rates will be referred to Finance Division (Regulations Wing) through FA's Organization after completion of procedural formalities as per Finance Division O.M No.8 (69) R-14/83-2001-452 dated 18.10.2001.

It was observed that Frequency Allocation Board (FAB) hired a single-story building for establishment of its HQ having covered area 19,794.12/Sq.ft. The agreement was made @ Rs 46.875/Sq.ft. instead of Rs 30/Sq.ft per month for the period 1.1.2016 to 31.12.2018. The same issue had already been printed in Audit Report 2017-18 in which excess payment of Rs 1.000 million was pointed out which was recovered/adjusted on the direction of DAC. However, while examining the payment vouchers for the F.Y 2018-19, the recovered/adjusted amount was found to be repaid which resulted into excess payment of Rs 12,024,928.

Audit pointed this out to the management and PAO during October 2019. It was replied that excess payment of Rs 1.000 million for the year 2017-18 was recovered from PTA leaving the balance of Rs 267,594. The reply was not acceptable as agreement was made in violation of the instructions of Ministry of Housing & Works. Further, the recovered amount was again paid to PTA after settlement of the para.

DAC in its meeting held on 6th January, 2020 directed FAB to refer the case to Finance Division for regularization of excess rates and in case of non-regularization amounts may be recovered.

Audit recommends immediate compliance of the DAC directives.

(DP No.12)

2.5.2 **Overpayment on account of building works – Rs 1.680 million**

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

FAB management awarded work for construction of monitoring station Khairagali to M/s Engineers Group, Islamabad after tendering process. Audit observed that non-BOQ items i.e 60 grade steel reinforcement and masonry work in ratio 1:4 were paid on the basis of schedule rates of Punjab Government instead of schedule rates of KPK Government. This resulted into excess payment of Rs 1,679,600 was made during 2018-19.

Audit pointed this out to the management and PAO during October 2019. It was replied that the rates of Khairagali and Gilgit-Baltistan were not comparable. Further, Khairagali was located 65 KM whereas Gilgit-Baltistan was 500 KM away from Islamabad due to which the contractor had to bear additional cost of transportation. The reply was not tenable as payments were made to the contractor on the basis of schedule rates of Punjab Government instead of KPK Government.

DAC in its meeting held on 6th January, 2020 directed FAB management to provide relevant record to Audit for verification and satisfaction of the audit.

Audit recommends that overpaid amount may be recovered and be got verified from Audit.

(DP No.09)

2.5.3 **Unauthorized usage of F7 frequency block by CM Pak – US$ 9.83 million per year (Rs 1,572.80 million)**

According to Regulation 20 (c) (i) of FAB Technical Regulations 2015 the Board may revoke a frequency approval taking into account the serious and repeated breach of the conditions of such approval, these Regulations, Act and Ordinance. Para 7 further states that the Board shall meet at least once in six months. However, extraordinary meeting may be convened as and when necessary at short notice of time depending upon the nature / urgency of the matter

It was observed that M/s CM Pak (Zong) was assigned temporary additional assignment of 2 x 5 MHz (11950-1955 / 2140 – 2145 MHz) for a period of two years as per FAB 42nd Board meeting held in February 2016. The additional assignment expired in February 2018 but M/s CM Pak (Zong) kept on utilizing the F7 block. The subject block had a minimum value of US$ 147.5 million for 15 years license (Per year US$ 9.83 million). FAB did not take appropriate action which resulted in unabated use of temporary assignment causing loss to national exchequer.

Audit pointed this out to the management and PAO in October 2019. It was replied that the case of unauthorized use of F7 band by M/s CM Pak was referred to PTA for enforcement action. The para was referred to PTA for comments by the Cabinet Division. The reply was not tenable as concrete action was not taken against telecom operator M/S CM Pak (Zong) for unauthorized use of F7 band and loss to national exchequer was not made good.

DAC in its meeting held on 16th January, 2020 directed PTA/FAB to pursue the case in court of Law and share the updated position of the case with audit.

Audit recommends that responsibility should be fixed for allowing unauthorized usage of F7 frequency block.

(DP No.02)

2.5.4 Unauthorized change of technology by WLL operator in 3.5 GHz

According to section 43 of Pakistan Telecommunication (Re-organization) Act, 1996 (Amended 2006) the Board shall have exclusive authority to allocate and assign portions of the radio frequency spectrum to the Government, providers of telecommunication services and telecommunication systems, radio and television broadcasting operations, public and private wireless operators and others. Furthermore, license condition 5.3.1 states that the Board may re-assign radio frequency spectrum assigned to the licensee or require the licensee to surrender the assignment of radio frequency which is not required for continued operation of the licensed services. In such cases the licensee shall be entitled to consult with the Board before any such action.

It was observed from monitoring reports that WLL operators had changed their technology from WiMAX to LTE and LTE-Advanced without approval of the FAB. The FAB management did not take appropriate regulatory action against these operations except for simply forwarding the cases to PTA.

Audit pointed this out to the management and PAO in October 2019. It was replied that FAB had taken appropriate action by reporting the unauthorized change of technology by the WLL Operators to PTA. It was further reported that the issue of technology neutrality was also highlighted with PTA which had unilaterally given approvals to the operators for change of technology without approval of FAB. The reply was not acceptable as mere forwarding the case to PTA did not exonerate

FAB from its regulatory responsibilities.

DAC in its meeting held on 16th January, 2020 decided to place the para before PAC.

Audit recommends that all illegal activities as reported in the monitoring reports should be pursued actively and appropriate action be taken under intimation to audit.

(DP No.03)

2.5.5 Utilization of spectrum without renewal of license by SCO

According to section 43 (1) of Pakistan Telecommunication (Re-organization) Act, 1996 the Board shall have exclusive authority to allocate and assign portions of the radio frequency spectrum to the Government, providers of telecommunication services and telecommunication systems. Para 6 of technical regulations (Functions & Powers), the Board is responsible to compile and keep up to date list of all frequency assignments made. The Board has the powers to suspend / cancel the assignment of radio frequency to any licensee / operator / user. The VC/ ED FAB is empowered to grant a provisional authorization where delay in the grant of a formal approval / license would seriously prejudice the public or national interest.

It was observed that a license bearing No.12.5.19/2003 (SCO)/RBS was issued to SCO on 16th May, 2003 with expiry date of 15th May, 2018. The Ministry of Kashmir Affairs & GB forwarded a summary to the Prime Minister of Pakistan for grant of permission to SCO to continue cellular communications in AJ&K and GB beyond 15th May, 2018. PTA granted permission for next six months with the direction to fulfil obligations which were prerequisite for renewal of license. However, the contents of the summary and grounds of renewal of license were not made available to Audit. The extension period was expired on 15th November, 2018 but as per record the license was not renewed so far but the spectrum was being continuously used by SCO.

Audit pointed this out to the management and PAO during October 2019. It was replied that the case of SCO was sub-judice in High Court of AJ&K and the court had granted status quo in favor of SCO for operation of 3G/ 4G service on their cellular license. The reply was not acceptable as the FAB management failed to initiate timely action as per the Act and regulations.

DAC in its meeting held on 16th January, 2020 pended the para being sub-judice.

Audit recommends that matter may be taken up with PTA and final status may be intimated to Audit to proceed further in the matter.

(DP No.10)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-3

NATIONAL RADIO & TELECOMMUNICATION CORPORATION (NRTC)

Chapter 3
National Radio Telecommunication Corporation (MoDP)

3.1 Introduction

A) National Radio Telecommunication Corporation (NRTC) was incorporated as a private limited company on 16th February, 1966. NRTC is under the administrative control of the Ministry of Defence Production. The Corporation is registered under Companies Ordinance as a Private Limited Company. 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 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	01	01	1,979.596	6,576.297
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	1,979.596	6,576.297
4	Foreign Aided Projects (FAP)	-	-	-	-

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,549.956 million were raised in this report during the current audit of M/s NRTC. This amount also includes recoveries of Rs 2,526.717 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	23.239
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	2,526.717

3.3 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	6	5	01	84
18	2013-14	05	05	05	00	100
19	2016-17	5	5	02	03	60

AUDIT PARAS

3.4 Irregularities

A. Procurement related Irregularities

3.4.1 **Loss due to deduction of Liquidity Damages -Rs 17.587 million**

According to terms and condition of contracts signed between NRTC and client organizations, NRTC was required to deliver the store within stipulated period otherwise purchasers shall be entitled to deduct penalty equivalent to 2% to 10% of the value of store of such delayed items.

It was observed that NRTC management failed to deliver the store to CMA (DP) & Ministry of Defence Sri Lanka within stipulated time period which was supplied with a delay of 9 to 11 months. Thus, an amount of Rs 17,586,777 was deducted as liquidity damages during 2018-19 as detailed below:

Sr No	PDP No	Client Name	Amount
1	160-2020	CMA (DP)	2,373,319
2	161-2020	CMA (DP|)	1,087,824
3	177-2020	MoD (Sri Lanka)	8,941,778
4	230-2020	CMA (DP)	5,183,856
Total			**17,586,777**

The matter was reported to management and PAO during November, 2019. It was replied that the case for waiver of LD had been taken up with the clients and audit would be informed in due course of time. The reply was not acceptable as the LD was not waived off by the clients which resulted into loss to the Corporation.

DAC in its meeting held on 17th January, 2020 directed the management to comply with the terms and conditions of each contract regarding delivery of goods to avoid imposition of LD in future and recover the outstanding amount of LD. It further directed to pursue the case with MoD Sri Lanka for waiver of LD and progress be shared with audit.

Audit recommends that fact finding may be conducted to ascertain the reasons for late delivery of stores which resulted into L.D charges under intimation to audit.

(DP Nos160,161,177 & 230)

3.4.2 Short receipt/defective stores from foreign supplier - Rs 5.652 million

According to terms and conditions of the foreign purchase orders, certain payments were made in advance or on shipment of stores. The stores according to the data and specs given in the purchase order were required to be received along with quality certificate. The supplier shall replace the stores not found in accordance with purchase data / drawing and specs within 30 days from the date of intimation or return of the defective stores.

It was observed that different stores valuing of Rs 43,966,644 were received short or found defective on arrival or after inspection by NRTC which were not got replaced from the supplier.

The matter was reported to management and PAO in November, 2019. It was replied that the suppliers had been asked for early delivery of remaining/rejected stores. However, stores valuing of Rs 38,315,054 were received / cleared through IGR. The reply was not tenable as stores valuing Rs 5,651,590 were not got replaced or cleared through IGRs.

DAC in its meeting held on 17th January, 2020 directed the management to get replacement of defective stores from supplier or be cleared through IGR as the case may be under intimation to audit.

Audit recommends that a fact-finding report may be conducted to ascertain the reasons for non-receipt of stores against the terms and conditions of the purchase orders.

(DP No. 176)

3.5 Others

3.5.1 Short-receipt of Sale Proceeds-Rs 2,095.894 million

According to terms and condition of contracts signed between NRTC and client organizations, NRTC was required to receive full payments after delivery of 100% store.

It was observed that NRTC management failed to recover an amount of Rs 2,095,894,357 from the client organizations inspite of the fact that 100% delivery of store was completed. Thus, revenue to that extent was not realized during 2018-19 as detailed below:

Sr No	PDP No	Client Name	Description	Amount (Rs)
1	158-20	Civil Works Organization	Supply of Jammers	1,051,123,615
2	162-20	MoD Kingdom of Saudi Arabia	Supply of Digital Electronic Field Telephone	496,088,600
3	163-20	Strategic Planning	Defence Equipment	495,451,417

4	167-20	MoD Sri Lanka	Demining and explosive Ordinance Disposal Equipments	44,516,565
5	168-20	Government of Democratic Socialist Republic of Sri Lanka	Non-recovery of Export Proceeds	8,714,160
Total				**2,095,894,357**

The matter was reported to the management and PAO in November, 2019. It was replied against Sr No 1, 2, 3 & 5 that the outstanding amount would be received soon. As against Sr. No 4, it was replied that the ledger had been updated to include the LD of Rs 55.611 million. However, the recovery of US$ 283,545 would be recovered in due course of time. The reply was not satisfactory as the amount was not recovered despite delivery of stores.

DAC in its meeting held on 17th January, 2020 directed the management to comply with the terms and conditions of each contract regarding receipts from its customers. NRTC was further directed to recover the outstanding amount and get it verified from audit.

Audit recommends that the amount may be recovered at the earliest under intimation to audit.

(DP Nos.158,162,163, 167& 168)

3.5.2 Non-receipt of Advance Payment- Rs 286.957 million

According to clause 5 of the agreement signed between NRTC and Inspector General of Prisons (Govt. of Punjab), 100% payment was required to be made to NRTC after signing of the contract without bank guarantee for phase-I. Further as per clause

9.4 of the contract of Phase-II, 46% of the total contract value excluding GST was to be made in advance.

It was observed that NRTC management could not recover an amount of Rs 286,956,965 on account of services rendered for 1st Phase & advance payment for 2nd Phase from Home Department Govt of Punjab during 2018-19 as detailed below:

Sr No	PDP No	Description	Amount
1	164-20	Non recovery of advance payment from Inspector General Prisons for Phase-II	194,666,662
2	165-20	Non-Recovery from Inspector General Prison (Phase-I)	92,290,303
Total			**286,956,965**

The matter was reported to management and PAO during November, 2019. It was replied that the case for allocation of funds was under process by the Inspector General Prison (Punjab Government) and payment would be received shortly. The reply was not acceptable as the advance payment as well as services rendered for phase-I was not received as stipulated in the terms and conditions of contract.

DAC in its meeting held on 17th January, 2020 directed the management to comply with the terms and conditions of each contract regarding receipts from its customers. NRTC was further directed to recover the outstanding amount and get it verified from audit.

Audit recommends immediate implementation of DAC directives.

(DP Nos.164 & 165)

3.5.3 Non-receipt of Exchange Rate Fluctuation Charges- Rs 65.497 million

According to clause 15 of the contract, any fluctuation in the exchange rates at the time of opening of Letter of Credit and subsequent variation at the time of payment will be adjusted on production of bank documents payable at actual. In case of increase in US dollar rate, the purchaser will make payment of the additional amount to the NRTC, on allocation of funds from GHQ.

It was observed that NRTC management raised two bills valuing US$ 1,381,422 @ Rs 105.5 & Rs 117 per US$ to CMA (DP), whereas, NRTC made payment to principal supplier @ Rs 160 per US$. Thus, difference in exchange rate fluctuation amounting to Rs 65,496,527 was not recovered during 2018-19.

The matter was reported to management and PAO in November, 2019. It was replied that the recovery of fluctuation charges due to exchange rate were covered under the relevant contract. However, the case for allocation of funds was under process at CMA (DP) and amount would be released after approval of funds.

DAC in its meeting held on 17th January, 2020 directed the management to recover fluctuation charges from the customer within 120 days and get it verified from audit.

Audit recommends that the amount be recovered at the earliest and get it verified from audit.

(DP No.159)

3.5.4 Non-recovery from foreign client- Rs 48.471 million

As per clause 6(h) of the agreement signed between NRTC and M/s Aselsan Electronik Sanayi VeTicaret A.S Ankara, Turkey regarding warranty equipment maintenance SDR 9651 & 9661, 40% advance payment will be paid within one month and 30% will be paid after 12 months of the signing of the contract. The remaining 30% will be paid after the release of 10% performance bank guarantee.

Audit observed that NRTC did not secure the advance payment as required in the contract. However, stores against the contract were delivered but delivery advice was not placed in file. Further, 70% of the payment amounting to US$ 706,865 & US$ 302,942 was received but the remaining 30% amount of Rs 48,470,816 (US$ 302,943) was not recovered till date.

The matter was reported to management and PAO during November, 2019. It was replied that after resolution of the 2.5% payment against the 3000 SDR contract, the observed amount would be paid by the client (M/s Aselsan). The reply was not acceptable as the amount (30%) was not recovered which was required to be received by March, 2015.

DAC in its meeting held on 17th January, 2020 directed the management to resolve the issue at the earliest through vigorous pursuance for early adjustment / recovery and get it verified from audit.

Audit recommends that the amount may be recovered at the earliest after resolving the matter at appropriate level.

(DP No.166)

3.5.5 Non-delivery of Stores worth Rs 22.030 million and Short-receipt of Rs 1.489 million

A contract No. 436172-NRTC/P-43 dated 5th June, 2017 signed between Air Headquarter and NRTC for procurement of Tactical Access Node worth Rs 41,111,958 (Rs 34,547,864 without GST) with delivery period of 10 months (05-04-2018) with grace period of 21 days as per clause 3 of ibid. As per clause 4 regarding term of payment, 80% on delivery/inspection and 20% on production of CRV was to be received. Moreover, clause 6 of contract ibid, Bank Guarantee of Rs 3,454,787 (10% of stores value) was required to be submitted within 30 days of signing of the contract (before 5th July, 2017).

It was revealed that partial stores were delivered on 9th March, 2019 with a delay of almost one year and invoice dated 16th May, 2019 was issued for Rs 12,517,475 (without GST). An amount of Rs 11,027,895 was received on 24-06-2019 leaving balance of Rs 1,489,580 against delivered stores. Moreover, store worth Rs 22,030,385 was not delivered till date. Further, LD may be imposed on NRTC as per clause 3.4 of the contract.

The matter was reported to management and PAO in November, 2019. It was replied that the case for waiver of LD had been taken up with the client and amount would be received after acceptance of stores. The reply was not acceptable as the amount including LD was not recovered. Further, certain stores were yet to be delivered to the client.

DAC in its meeting held on 17th January, 2020 directed the management to comply with the terms and conditions of each contract regarding delivery of goods to avoid imposition of LD in future. NRTC was further directed to recover the pointed out outstanding amount and get it verified from audit.

Audit recommends that fact finding be conducted to ascertain the reasons for late delivery of stores which resulted into L.D charges and loss to the Corporation under intimation to audit.

(DP No.170)

3.5.6 Non-Recovery against delivered Stores-Rs 6.379 million

According to agreement made between NRTC & C&IT Branch GHQ Rawalpindi, the buyer was required to pay 50% advance and 50% at the time of delivery of stores. Further 100% advance payment was required for delivery of wide band jammers from Additional Chief Secretary Home Department Baluchistan.

It was observed that NRTC management failed to recover an amount of Rs 6,379,140 against delivered stores from C&IT Branch GHQ Rawalpindi & Additional Home Secretary Quetta Baluchistan during 2018-19 as detailed below:

Sr No	PDP No	Organization	Description	Amount (Rs)
1	169-20	C&IT Branch GHQ Rawalpindi	Non-Recovery against Delivered Stores	4,928,040
2	178-20	Additional Chief Secretary Home Department Quetta	Non-invoicing of short receipts of sales	1,451,100
Total				**6,379,140**

The matter was reported to management and PAO during November, 2019. It was replied that final reminder had been issued and allocation of funds were under process. The amount would be recovered shortly.

DAC in its meeting held on 17th January, 2020 directed the management to recover the amount against delivered stores and get it verified from audit. It was further directed to evolve an effective mechanism for timely issuance of invoices to customers for timely realization of receivables.

Audit recommends that the amount may be recovered at the earliest under intimation to audit. Further, a system may be devised for early realization of sale proceeds.

(DP Nos.169 & 178)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION DIVISION

CHAPTER-4

ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL

(ECAC)

Chapter 4
Electronic Certification Accreditation Council (ECAC)/(MoIT&T)

4.1 Introduction

A) The Electronic Transactions Ordinance (ETO) was promulgated in 2002. Under this Ordinance, Electronic Certification Accreditation Council (ECAC) was established and first notification of ECAC was issued on 18th September 2004 but council remained dysfunctional from 2007-2015. It comprises of five members, with four members from the private sector. One of the members shall be designated as the Chairman.

After a gap of a few years, realizing the importance of e-commerce, the previous Federal Government revived the Council in April 2015. The ETO provides a legal framework to recognize and facilitate documents, records, information, communications, and transactions in the electronic form enabling digital signatures to be accepted at par with handwritten signatures. With the development of e-commerce, regulatory laws have been made which require legal recognition of electronic transactions. The paper-based concept of identification, declaration and proof are carried through the use of digital signatures in an electronic environment. Digital signatures are electronic signatures based on Public Key Cryptography.

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

- 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.

B) Comments on budget and Accounts

Electronic Certification Accreditation Council (ECAC) 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 ECAC

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	01	01	86.366	-
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	86.366	-
4	Foreign Aided Projects (FAP)	-	-	-	-

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 140.591 million were raised in this report during the current audit of Telecommunication Sector. 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	4.451
B	Procurement related irregularities	108.916
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	2.716
5	Others	24.508

* Audit has also audited the expenditure amounting to Rs 100 million pertained to the F.Y 2017-18.

4.3 Status of Compliance with PAC Directives

Audit of ECAC was conducted first time.

AUDIT PARAS

4.4 Irregularities

A. HR/Employees related irregularities

4.4.1 **Unauthorized payment of honorarium – Rs 3.981 and excess payment of Rs 470,000**

According to Finance Division (Regulation Wing) letter No.F.2(2)-R4/95 dated 22nd June, 1995, the amount of honorarium recommended for each officer / official is equal or less than his one month's basic pay. Further, the officer / officials recommended for grant of honorarium are upto the level of Section Officer and equivalent. Moreover, according to Para 5 of the summary duly approved by the Prime Minister of Pakistan dated 3rd October, 2014, the Members and Chairman of the council are honorary positions. Therefore, in order to meet the expenses for attending the meeting, ECAC members may be paid a small honorarium, not exceeding Rs 20,000/- per meeting out of funds generated by ECAC itself.

ECAC Council paid an amount of Rs 3,981,245 on account of honorarium to the officers / officials of ECAC, NTC and members of the council during 2017-18 & 2018-19. The payment was made without the approval of the Finance Division and without budgetary allocation. Further, out of total amount, an amount of Rs 2,590,000 was paid to the members and chairman of the council from the Assignment Account (Government Grant) in violation of the approval of the Prime Minister of Pakistan. Moreover, honorarium was also paid at excessive rates to the honorary members of council causing overpayment of Rs 470,000.

Audit pointed this out to the management and PAO during November 2019. It was replied that the Council approved the grant of honoraria to the work force, dedicatedly working for accomplished of the tasks of Council irrespective of their cadre or organization. The honorarium was granted to the Members once in a Financial Year after obtaining legal opinion from Member legal of the council. The reply was not acceptable as the payment of honoraria was made without approval of the Federal Government. The Chairman and Members of the council were entitled for honoraria of Rs 20,000/- per meeting whereas payment was made @ Rs 25,000/- which also resulted in excess payment.

DAC in its meeting held on 20th December, 2019 directed ECAC management to get the expenditure regularized from Finance Division and in case of non-regularization amount may be recovered under intimation to Audit.

Audit recommends immediate implementation of DAC directives.

(DP No.128)

B. Procurement related irregularities

4.4.2 Unjustified procurement of vehicles – Rs 6.536 million

According to Para 4 (i) (ii) & (iii) of System of Financial Control & Budgeting issued by the Finance Division vide No.F-3(2)/Exp.III/2006 dated 13th September, 2006 the Principal Accounting Officer shall ensure that the expenditure is incurred with due regard to high standards of financial propriety. The funds allotted to a Ministry / Division, Attached Departments and Subordinate Offices are spent for the purpose for which they are allocated. The funds are spent in accordance with relevant rules and regulations.

It was observed that Electronic Certification Accreditation Council (ECAC) incurred an expenditure of Rs 6,536,300 on purchase of two vehicles without budget allocation. These vehicles were purchased from operating expenses head instead of physical assets. The service regulations of ECAC duly approved by the Federal Government did not provide entitlement of vehicle to existing employees of ECAC and vehicle usage policy was not approved.

Audit pointed this out to the management and PAO during November 2019. It was replied that two vehicles (one Honda City and one Hi-Lux) were purchased due to regular visits of the officers of ECAC, Chairman, members and other stake holders. Further, the vehicle usage policy had already been drafted which would be presented in the next Council's meeting for approval. The reply was not acceptable as ECAC staff was recruited in February 2018 and the vehicles were procured in advance in the month of November 2018. Further, the vehicles were purchased from operating expenses instead of physical assets.

DAC in its meeting held on 20th December, 2019 directed ECAC for verification of record regarding allocation of budget for purchase of vehicles. DAC further directed to finalize a vehicle usage policy immediately and share with Audit.

Audit recommends that matter may be investigated for facts finding in the instant case under intimation to Audit.

(DP No.124)

4.4.3 Excess payment on account of rent of office building - Rs 2.380 million

According to Ministry of Housing and Works O.M No.F.12(65)/2011-Policy dated 17.3.2017 the procedure and rates for hiring of office accommodation at Islamabad and Rawalpindi has been revised and fixed from 17th March, 2017. Para 2(IV) of the above O.M states that cases of buildings proposed to be hired beyond prescribed enhanced rates will be referred to Finance Division (Regulations Wing) through FA's Organization after completion of procedural formalities.

It was observed that Electronic Certification Accreditation Council (ECAC) hired a space at 3rd floor of NTC Regional Headquarter F-5/1, Islamabad having covered area of 1,044/Sq.ft for office accommodation. The agreement was made on 1st August, 2017 for a period of two years @ Rs 150 & 160/Sq.ft per month in excess of the rates of Rs 60/Sq.ft as prescribed by Ministry of Housing and Works which resulted in an excess payment of Rs 2,380,320. Further, ECAC had only three member staff for which hiring of area of 1,044/Sq.ft for office accommodation was not justified.

Audit pointed this out to the management and PAO during November 2019. It was replied that ECAC hired its office space from a Government entity i.e. NTC not from a private party. The reply was not acceptable as the instructions of Ministry of Housing and works were not observed.

DAC in its meeting held on 20th December, 2019 directed ECAC to take up the case with Ministry of Finance and Housing & Works for clarification on the issue and get the record verified from Audit.

Audit recommends immediate compliance of the DAC directives.

(DP No.125)

4.4.4 Irregular award of project and unjustified withdrawal of money from assignment account – Rs 100 million

According to Para 5.6 and 5.7 of guidelines for project management at starting phase of any project the management should concentrates on ensuring timely preparation of PC-I including feasibility study. A number of actions are usually required to get the project take off i.e approval of the project; issuance of administrative approval, formulation of DDWP, establishment of organizational/institutional arrangements for implementing the project; appointment of Project Director, key staff and consultants; completion of local funding; and preparation of cash / work plan and tender documents. Para 2 (iv) of assignment account procedure circulated by the Controller General of Accounts vide letter No.916/CGA/A.A/RP-2018(LC) dated 16.10.2018 stipulates that AGPR will not endorse any cheque, under any circumstances, which are drawn in the name of project authorities or drawer/payer for lump sum transfer of funds from Federal Consolidated Fund/Central Account.

ECAC management awarded a project titled "Establishment of Certification Authority with Public Key Infrastructure (PKI) and Repository" to NTC in March 2018 on Pre-deposit basis instead of preparation of PC-I. NTC furnished a Provisional Capital Cost (PCC) bill of Rs 42,532,323 on 19.03.2018 which was again revised to Rs 255 million in June 2019 (607% higher than original cost). An amount of Rs 100.000 million was paid to NTC against the project which was lying unutilized with NTC as no work had so far been started. The withdrawal of huge sum was unjustified and against the provision of Assignment Accounts procedure. Further, no contract agreement was made with NTC to safeguard the interest of the ECAC.

Audit pointed this out to the management and PAO in November 2019. It was replied that PKI was a unique technology and no market or vendor was available in Pakistan. The reply was not acceptable because the work did not fall under pre-deposit work and withdrawal of money in the name of project authorities without any progress was unjustified and against the provision of Assignment Accounts procedure.

DAC in its meeting held on 20th December, 2019 directed ECAC for facts finding inquiry in the instant case within one month and submission of revised reply with full justification.

Audit recommends that matter may be investigated and responsibility be fixed for withdrawal of huge sum of money from government kitty.

(DP Nos.127, 134 & 135)

4.5 Value for money and service delivery issues

4.5.1 Blockage of public money due to excessive procurement of I.T Equipment – Rs 2.716 million

According to Rule 145 of GFR Vol-I, Purchases must be made in the most economical manner in accordance with the definite requirements of the public service. At the same time, care should be taken not to purchase stores much in advance of actual requirements if such purchase is likely to prove unprofitable to Government.

It was observed that management of Electronic Certification Accreditation Council (ECAC) incurred an expenditure of Rs 3,157,348 on procurement of IT equipment during 2018-19. Out of total expenditure, IT equipment of Rs 2,716,389 were procured in excess of ECAC requirements and lying idle which resulted in blockage of public money.

Audit pointed this out to the management and PAO in November 2019. It was replied that MoIT approved hiring of 17 essentially required staff in the first phase on 10th April, 2017. Equipment was procured keeping in view of existing / new hiring of staff. The reply was not acceptable as no rule permits procurement in advance and in excess of the requirement.

DAC in its meeting held on 20th December, 2019 directed J.S (Admn) MOIT to process the case for appointment of separate chairman of ECAC. DAC further directed to expedite the process of recruitment and issue the IT equipment and get the record verified from Audit.

Audit recommends immediate implementation of DAC directives.

(DP No.123)

4.6 Others

4.6.1 **Non-surrender of savings - Rs 10.048 million**

According to Para 10 of Finance Division (Expenditure Wing) notification dated 23rd September, 2008 the unspent cash balances, out of releases from Federal Consolidated Fund, lying either in PLA/SDA or in commercial bank shall be deposited back to Government Account in a manner and within a time frame to be decided by Finance Division. The revised procedure of Assignment Account circulated by Controller General of Account vide letter No.AC-II/1-39/08-Vol-V/632 dated 24.09.2008 the assignment account shall be lapsable at the end of each year.

It was observed that Electronic Certification Accreditation Council (ECAC) opened a lapsable assignment Account No.2500-3 with National Bank of Pakistan on 30.01.2009. The balances of the said account amounting to Rs 10,047,655 were not surrendered to Government being lapsable account in violation of the above. Detail is as under:

Sr No	Description	Amount (Rs)
01	Closing balance as on 30.06.2018	1,303,875
02	Closing balance as on 30.06.2019	8,743,780
Total		**10,047,655**

Audit pointed this out to the management and PAO during

November 2019. It was replied that savings were occurred due to non-finalization of pay structure of ECAC employees by the Federal Government. The reply was not acceptable as the amounts lying in assignment account were neither surrendered nor utilized during the Financial Years.

DAC in its meeting held on 20th December, 2019 directed ECAC for regularization of savings from the Finance Division under intimation to Audit.

Audit recommends immediate implementation of the DAC directives.

(DP No.126)

4.6.2 Un-authorized utilization of receipts – Rs 4.460 million

According to Para 8 of DDO handbook for autonomous bodies the funds provided, acquired generated by the autonomous bodies, semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the government.

It was observed that Electronic Certification Accreditation Council (ECAC) started its function from 2015. An amount of Rs 4,460,912 was received and placed in current account No.4141646473 instead of opening of collection / revenue account. The amounts received were utilized from this account for petty and others expenses in violation of the rules.

Audit pointed this out to the management and PAO during November 2019. It was replied that as the receipts could not be credited in the assignment account therefore, minor receipts and expenditure were made from this account. The reply was not acceptable as all receipts of ECAC were deposited in the ECAC current account without declaring it as collection account.

DAC in its meeting held on 20th December, 2019 directed ECAC to stop this practice and formulate financial rules with the approval of the Federal Government at the earliest.

Audit recommends immediate implementation of DAC directives.

(DP No.137)

4.6.3 Non-receipt of indemnity bond -Rs 10.00 million

According to Regulation 4 sub section 6 (c) of Certification Service Providers Accreditation Regulations, 2008, all applicants at second stage of their application for grant or renewal of accreditation shall provide an undertaking to submit a performance bond or a Banker's guarantee in favour of to the Council in a form approved by the Council for an amount of Rs 10 million before issuance of Certification Accreditation. Regulation 21 (3) *ibid* further stipulates the Accredited Certification Service Providers shall immediately remove digital mark from its certificates in case of expiry, suspension or revocation of the Accreditation Certificate by the Council.

It was observed that M/s National Institutional Facilitation Technologies (NIFT) (Pvt) Limited was granted provisional accreditation by the council for a period of three months w.e.f 6th April, 2018. The said certificate expired on 5th July, 2018 due to non-submission of indemnity bond of Rs 10 million by the Accredited Certification Service Provider (ACSP). The ACSP did not remove accreditation mark despite expiry of its accreditation certificate and continued to provide the services to its 60,000 customers (Approximately). The Council did not take any action for imposition of fine or cancellation of the certificate in violation provisions contained in Electronic Transaction Ordinance 2002. Furthermore, the Council also deprived from annual renewal fee of Rs 500,000/-.

Audit pointed this out to the management and PAO during November 2019. It was replied that NIFT was the only CSP in Pakistan providing such services and accreditation with ECAC was not mandatory. Further, NIFT had also provided the indemnity bond to ECAC and fresh Accreditation was in process. The reply was not tenable as in accordance with ETO 2002 and Certification Service Provider Accreditation Regulations, 2008, the service providers were responsible for obtaining accreditation certificate from the council.

DAC in its meeting held on 20th December, 2019 directed ECAC for verification of the documents from Bank Alfalah Karachi.

Audit recommends immediate implementation of DAC directives.

(DP No.130)

CHAPTER-5

IGNITE NATIONAL TECHNOLOGY FUND

Chapter 5

IGNITE NATIONAL TECHNOLOGY FUND (MoIT&T)

5.1 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 established a non-profit company limited by guarantee for implementation of research and development projects in the information and communication technology sectors. 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

Ignite National Technology Fund 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 IGNITE

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	01	01	979.270	-
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	979.270	-
4	Foreign Aided Projects (FAP)	-	-	-	-

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 274.825 million were raised in this report during the current audit of IGNITE. This amount also includes recoveries of Rs 98.72 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	39.666
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	6.257
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	228.902

5.3 Status of Compliance with PAC Directives

No PAC had been convened till date.

AUDIT PARAS

5.4 Non-Production of record

5.4.1 **Non-production of record – Rs 39.666 million**

According to clause (vii) and (viii) of deed agreement on account of Foreign PhD Scholarship Program 2004-06, in case the scholar fails to qualify the course for which he / she was awarded scholarship, the secretariat reserve the right to recover entire expenditure inclusive of travel cost from the scholar / guarantor. The scholar shall return to Pakistan immediately after the completion of the approved course for which he / she was sent abroad, and shall serve in Pakistan / his parent department for a period of five year as may be prescribed.

It was observed that Ignite NTF Company granted PhD Scholarships of Rs 39,665,553 to twenty (20) Scholars between 2006-07 to 2009-10 but the information regarding number of candidates who returned to Pakistan after completion of their scholarships and number of contracts terminated by the company was not provided to audit.

Audit pointed this out to the management and PAO during November 2019. It was replied that no payment to PhD scholars was made during FY 2018-19 and the amount objected was related to previous Financial Years. The reply was not acceptable as the required information / record was not provided.

DAC in its meeting held on 21st December, 2019 took serious notice of the irregularity and directed CEO Ignite for provision of record to Audit immediately.

Audit recommends for immediate implementation of DAC directives.

(DP No.145)

5.5 Irregularities

B. Procurement related irregularities

5.5.1 Loss due to non-inclusion of bid security clause - Rs 6.257 million

According to Rule 25 of PPRA 2004, the procuring agency may require the bidders to furnish a bid security not exceeding five per cent of the bid price. Furthermore, as per agenda Item No.1 of 42nd Board meeting held on 21-12-2015 of Ignite, the bid security was reduced to the extent of 1% instead of 2%.

It was observed that M/s TPL Trakker Ltd was evaluated as lowest bidder for establishment of National Incubation Center (NIC) Karachi with bid value of Rs 625,699,499 and letter of acceptance was also signed by the successful bidder on 15-06-2017. Later on, the contractor conveyed its inability to sign the agreement. On the recommendation of the company, the board of directors approved rebidding in its 54th meeting without forfeiture of bid money amounting to Rs 6,256,994 @ 1% of bid price.

Audit pointed this out to the management and PAO during November, 2019. it was replied that as per PPRA Rule 25, the procuring agency may require the bidders to furnish a bid security not exceeding 5% of the bid price. Therefore, company used its discretion of not adding any clause relating to Bid Security in the published RFP. The reply was not acceptable as PPRA rules did not allow complete elimination of bid security to procuring agencies. However, the procuring agency could only decide to fix the bid price between 1% to 5%.

DAC in its meeting held on 21st December, 2019 constituted a fact-finding inquiry committee comprising of CFAO, CEO and SO(F&A) to investigate the matter and fix responsibility against those held responsible.

Audit recommends immediate implementation of DAC directives.

(DP No.86)

5.6 Others

5.6.1 Non-development of Intellectual Property Right (IPR) and non-commercialization of project – Rs 130.182 million

According to Rule 8 of R&D Fund Rules 2006, all intellectual property rights in arising out of or capable of legal recognition in respect of the projects implemented by the company shall vest absolutely in the Company. The Principal Investigator (PI) shall execute all assignments, licenses, power of attorney or other instruments as may be required under the relevant laws for registration and legal recognition of the rights of the Company in IPR arising out of the said projects. The Board of Directors in its 27th meeting held on 15th July, 2013 also advised for development of mechanism for royalty / IP rights.

It was observed that Ignite NTF Company funded various R&D projects and none of which could be commercialized. Due to non-development of comprehensive and flexible IPR , the benefits of the projects could not be extended to the industry or society as a whole. The progress of six technical R&D projects was analyzed where company had funded Rs 130,181,502 but the projects were not commercialized despite requests from PI / PIOs for IPR transfer.

Audit pointed this out to the management and PAO during November 2019. It was replied that the Company ha d already initiated the process of registration of IP arising out of the funded projects. The reply was not acceptable as audit observed six R&D funded projects on test check basis and found that the benefits of projects could not be extended to industry or society as a whole due non-development of flexible IPR policy.

DAC in its meeting held on 21st December, 2019 directed CEO Ignite to finalize the IPR policy by 20th February, 2020 and get it verified from Audit.

Audit recommends for immediate compliance of the DAC directives.

(DP No.149)

5.6.2 Non-recovery of outstanding dues on account of R&D contributions – Rs 96.502 million

According to section 4.1 under head payment of fee of license the licensee shall contribute to 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 failed to recover an amount of Rs 96,501,937 on account of R&D contributions from the operators during 2018-19. Further, billing to seven (7) operators were not mentioned in the R&D Fund Ledger.

Audit pointed this out to the management and PAO during November 2019. It was replied a letter to PTA had been issued for recovery of outstanding amount from all operators. The reply was not acceptable as the Fund management was responsible for recovery of the dues after 2013 and PTA was liable to issue demand notices.

DAC in its meeting held on 21st December, 2019 directed to get the recovered amount verified from Audit besides recovery of the balance amount.

Audit recommends immediate compliance of DAC directives.

(DP No.52)

5.6.3 Non-recovery against Prime Minister National ICT Scholarship Program -Rs 2.218 million

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

It was observed that Ignite NTF management failed to recover an amount of Rs 2,218,428 which was due from various institutes against Prime Minister National ICT Scholarship Programs during 2018-19.

Audit pointed this out to the management and PAO during September 2019. It was replied that that receivable amounts were determined during FY 2018-19 and respective institutions were also informed accordingly. The reply was not acceptable as the amounts on account of final settlement could not be recovered till date.

DAC in its meeting held on 21st December, 2019 directed to expedite the recovery process, recover the amount and get it verified by Audit.

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

(DP No.151)

CHAPTER-6

NATIONAL TELECOMMUNICATION CORPORATION (NTC)

Chapter 6
National Telecommunication Corporation (NTC) (MoIT&T)

6.1 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 such other Government agencies and institutions as the Federal Government may determine.

B) Comments on Budget and Accounts (2017-18)

1) As per note 10.1 & 10.2, provision of Rs17,898,654 (329,980 + 17,568,674) for "Doubtful Interest" was charged to Short-term Investment which resulted in less realization of Other Revenues.

2) NTC Current Ratio for the year 2017-18 is 3.73 times and during 2016-17, it was 3.63 times as compared to the market leader PTCL whose current ratio corresponding years was 1:00 & 1:14 respectively. NTC's current ratio was 2 to 3 times greater than the industry which shows that management was not using its assets efficiently.

3) NTC revenue decreased by 18.269 million (0.5%) as compared to previous years but the NTC operating costs increased by 357.294 million (10.940%).

4) NTC operation loss margin during 2017-18 was 389.056 million 12.03 % as compared to last year Rs 13.493 million (0.415%) which increased by Rs375.563 million (2783.391%) which shows company was not well managed in operations.

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

(Rs in million)

Sr No	**Description**	**Total Nos**	**Audited**	**Expenditure audited FY 2018-19**	**Revenue / Receipts audited FY 2018-19**
1	Formations	15	06	2126.53	4169.000
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	15	06	2126.53	4169.000
4	Foreign Aided Projects (FAP)	-	-	-	-

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 590.586 million were raised in this report during the current audit of NTC. This amount also includes recoveries of Rs 342.946 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	196.574
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	394.012

6.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
01	1996-97	16	03	03	00	100
02	1997-98	11	11	11	00	100
03	1999-00	15	15	14	01	93
04	2000-01	17	17	17	00	100
05	2001-02	16	16	12	04	75
06	2004-05	16	16	15	01	94
07	2005-06 SAR	31	31	00	31	00
08	2005-06	15	15	15	00	100
09	2006-07	17	17	13	04	76
10	2007-08	13	07	00	07	00
11	2008-09	22	22	19	03	86
12	2010-11	30	23	20	03	87
13	2013-14	38	03	02	01	67

AUDIT PARAS

6.4 Irregularities

A. HR / Employee Related Irregularities

6.4.1 **Unauthorized deputation/employment abroad**

According to Establishment Division's O.M. No. 1/23/66-T.IV dated 24th June, 1978, the government servants shall not be allowed to seek employment with private bodies outside Pakistan either on their own or through the Bureau of Emigration and Overseas Employment or Overseas Employment Corporation. They should apply only against posts under the foreign governments advertised in the country through the Bureau of Emigration and Overseas Employment or Overseas Employment Corporation. Their cases will be considered by the Special Selection Board and the maximum period for which they may remain abroad shall not exceed 5 years.

It was observed that NTC management transferred the officer / official on deputation basis to private organization based in Saudi Arabia for four years. NTC management unlawfully extended the deputation period of the officer w.e.f 10.04.2018 to 11.07.2019 in defiance to DAC directives dated 22nd January, 2018 which directed NTC to treat the periods of such deputations as EOL.

Audit pointed this out to the Management and PAO during November, 2019. It was replied that as per Rule No. 4.23 of NTC Service Regulations, Chairman / MD NTC was competent to approve foreign deputation for a period of three years extendable for one year. Further, the amended draft Service Regulations would be presented before NTC Management Board in its forthcoming meeting. The reply was not acceptable as government servants could not be allowed foreign deputations to private organizations abroad.

DAC in its meeting held on 20th December 2019 directed the management to implement the same directives of DAC given in its earlier meeting dated: 22.01.2018.

Audit recommends immediate implementation of DAC directives.

(DP No.138)

B. Procurement related irregularities

6.4.2 Irregular award of additional work for replacement of damaged cable – Rs 37.766 million

According to Rule 2 (d) of General Provisions of Public Procurement Rules 2004, "contractor" means a person, consultant, firm, company or an organization who undertakes to supply goods, services or works. Rule 42 (c) (iv) of ibid stipulates that repeat orders should not exceed fifteen per cent of the original procurement.

It was observed that NTC management awarded the additional work for replacement of damaged Optical Fiber Cable (OFC) to M/s Muhammad Nawaz Khan & Brothers, without getting competitive rates. Moreover, the additional cost of work due to damage to OFC by Peshawar Development Authority (BRT) was not claimed. Detail of additional work is as under:

Sr No	PDP No	Description	Amount (Rs)
01	82-20	Laying of 48 Fibers underground OFC network from Pakistan Agricultural Research Department (PARD) MSAG via RDLU Khyber &Tehkal MSAG to Taxi Stand Saddar and Spin Jumat University	15,305,320

		Road to NTC Exchange Hayat Abad Peshawar	
02	83-20	Replacement of damaged OFC	2,959,264
03	84-20	Relocation / Re-Routing of 48 Fiber Underground Cable from NHA MSAG to NTC Transmission system at MUX Hall city Exchange Peshawar and Taxi Stand Saddar Peshawar.	19,501,864
Total			**37,766,448**

Audit pointed this out to the management and PAO during November, 2019. It was replied that the contract for additional work was awarded after getting approval of competent authority and as per provision of contract agreement / bid documents which allowed NTC to increase or decrease the quantity of work. Further, re-work was awarded to M/s Muhammad Nawaz Khan & Brothers after getting approval of competent authority. Moreover, NTC had to keep the pace of work with BRT contractors and could not wait for repeat tenders. The reply was not acceptable as the additional work was awarded without getting competitive rates and the cost of the damaged cable was also not claimed from PDA.

DAC in its meeting held on 20th December 2019 directed NTC management to conduct a fact-finding inquiry headed by the Chief Technical Officer of NTC including a member from audit side. The outcomes be shared with Ministry as well.

Audit recommends immediate implementation of DAC directives.

(DP Nos.82, 83 & 84)

6.4.3 **Irregular procurement of VMWARE Cloud –Rs 49.138 million and loss due to delayed payments -Rs 1.644 million.**

According to Rule 10 of Public Procurement Rules 2004, specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. As per Article 2(2.2) of an agreement executed by National Telecommunication Corporation with M/s EZY Infotech Pvt. Ltd (VMWARE aggregator) on 19th January, 2018 to acquire "VMware Cloud Provider Programme" at a total value of the contract @$600,000 ($50,000 per month), the invoices would be raised on the 1st of every month and payment thereof would be made by 10th of next month.

NTC paid Rs 49,137,960 to M/s Ezy Infotech against "VMware Cloud Provider Programme" during July 2018 to July 2019. The following irregularities were observed:

i. Procurement was made without tendering; from a single supplier against a specific brand i.e. VMware Cloud in the presence of multiple cloud service providers in Pakistan.

ii. Expenditure was not approved from DWP and NTC Board and the same was not part of recurring cost of National DATA Center Project. Further, payment was made without budget.

iii. Due to persistent late submission of invoices by vendor and currency rate fluctuation, the corporation suffered a loss Rs1,644,380 due to exchange rate fluctuation charges.

Audit pointed this out to the Management and PAO during November, 2019. It was replied that VMWARE Cloud was the propriety product of M/s. VMWARE as such no tendering was required. The approved PC-1 cost was Rs 399 million and after adding 15% allowable increase the cost would increase to Rs 459 million. Further, payment against invoices were not made timely due to NTC internal procedure. The reply was not acceptable as no documentary evidence in support the claim that M/s. VMWARE was a sole proprietor for said software. The management admitted that the payment of invoices was made late due to procedural delays.

DAC in its meeting held on 22nd November 2019 directed the CFAO and Joint Secretary (Dev) of MOIT to conduct a fact-finding inquiry and submit report within 30 days under intimation to audit.

Audit recommends that the responsibility for violation of rule, causing loss due to exchange rate fluctuation be fixed and the compliance of DAC directives may be made under intimation to audit.

(DP No.20)

6.4.4 Unauthorized expenditure against National DATA Centre – Rs 95.300 million

According to Rule 88 of GFR Vol-I, the authority administrating a grant is ultimately responsible for tracking the progress of expenditure on public service under its control and for keeping the expenditure within the grant. Further, according to para 11 of approved PC-I of project titled "NTC Data Centre with Cloud Services" the capital cost of the project against different heads was Rs 399.500 million and Completion Report issued by NTC management against the project titled "NTC Data Centre with Cloud Services" showed that the project was closed on 16th July, 2017 at a total cost of Rs 414.099 million.

Audit observed that NTC management completed the project of NTC Data Centre with Cloud service in July 2017 at a total cost of Rs 414.099 million (including taxes). Later on, expenditure amounting to Rs 98,307,757 was incurred and charged to the said project during 2017-18 and 2018-19 respectively. The expenditure was held irregular as the total cost of the project was increased 28% against the allowable limit of 15%. Further, there was no provision of expenditure under the head National Data Center in the CAPEX budget of 2018-19 as approved by the Cabinet Division. The detail is as under:

Sr No	Description	Amount
1	Project total cost as per Completion Report	414,098,720
2	Expenditure incurred during 2017-18	3,006,787
3	Expenditure incurred during 2018-19	95,300,970
4	**Total Cost incurred till 2018-19**	**512,406,477**
5	Project Approved Cost	399,500,000
6	Cost over-run	**28.26%**

Audit pointed this out to the Management and PAO during November, 2019. It was replied that the total cost of the project was within the allowable limit of 15% without GST and other taxes. The reply was not acceptable as the approved cost of the project was Rs 399.500 (M) and total cost incurred till 2018-19 was Rs 512.406 (M) which was 28% above the approved cost. Further, expenditure amounting to Rs 95.300 (M) during 2018-19 was also incurred without availability of budget.

DAC in its meeting held on 22nd November 2019 directed the CFAO and Joint Secretary (Dev) of MoIT to conduct a fact-finding inquiry and submit report within 30 days under intimation to audit.

Audit recommends the immediate implementation of DAC directives.

(DP No.21)

6.4.5 **Irregular procurement of WIFI CPE's Rs 12.726 million**

According to Rule 42 (c) (iv) of Public Procurement Rules, 2004, the procuring agency can make repeat orders but not exceeding fifteen per cent of the original procurement.

It was observed that NTC management incurred an expenditure of Rs 12,726,207 on procurement of CPE's during 2018-19. The expenditure was held irregular as the repeat order was exceeded 15% of the original cost in violation of rule. Further the extension was granted to supplier without the approval of MD NTC.

Audit pointed this out to the management and PAO during November, 2019. It was replied that fresh tender was approved on 26-10-2018 after the termination of one-year contract with M/s Imex whereas the work order was issued on 16-08-2018. The reply was not acceptable as no documentary evidence was provided in support of reply.

DAC in its meeting held on 20th December, 2019 directed the management to issue warning to concerned officer for granting extension without the approval of Managing Director. It was further directed that relevant record be produced for verification to audit.

Audit recommends immediate implementation of DAC directives.

(DP No.87)

6.5 Others

6.5.1 **Non-Recovery of Revenue Receipts – Rs 142.591 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 202,425,306 on account of Co-location charges, Multi Services Data Network (MSDN) Intranet, Webhosting, Long Distance Circuits, Interconnect charges and outstanding dues against National Data Center during FY 2018-19. Detail is as under:

Sr No	PDP No	Description	Amount (Rs)
1	23-20	Non recovery of outstanding dues against co-location, Multi Services Data Network (MSDN) Intranet, Webhosting, Long Distance Circuits	51,829,987
2	25-20	Non recovery of Interconnect charges from mobile operators	26,750,024
3	30-20	Non recovery of outstanding dues against National Data Center	118,150,258
4	36-20	Non-recovery of co-location charges	5,695,037
Total			**202,425,306**

Audit pointed this out to the Management and PAO during November, 2019. It was replied against Sl.No. 1 to 3 that an amount of Rs 68.714 million had been recovered whereas against Sl.No. 4, it was replied that suits for recovery of outstanding dues had been filed in the court of law. During verification, audit had verified an amount of Rs 59.834 million leaving the recoverable balance of Rs 142.591 million. Therefore, amount of para was reduced to the extent of verified amount.

DAC in its meeting held on 22nd November 2019 directed the management that hectic efforts should be made to recover the remaining amount and the same be got verified from audit. It further directed that case be pursued vigorously in the court for recovery of the outstanding dues under intimation to audit.

Audit recommends that outstanding amount be recovered.

(DP Nos.23,25,30 & 36)

6.5.2 Non-recovery of outstanding dues from PTCL – Rs 133.099 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 133,099,079 was raised to PTCL on account of various services during 2018-19 but NTC management failed to recover the amount. Further, no reconciliation for settlement of claims with PTCL since Jan 2018 to August 2019 was made.

Audit pointed this out to the Management and PAO during November, 2019. It was replied that reconciliation with PTCL had been made up to December 2017. The amount observed by audit related to FY 2018-19. However, audit would be informed as and when reconciliation was completed. 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 22nd November 2019 directed that the reconciliation process be finalized within six (06) months under report to audit.

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

(DP No.24)

6.5.3 Non-Recovery of Outstanding Dues from the Subscribers – Rs 67.256 Million

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

NTC management failed to recover an amount of Rs 102.032 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 2018-19. Detail is as under:

Sr No	Item Nos	Name of Unit	Amount in million
01	01.02,03,04 & 05	Director NTC Islamabad	30.740
02	20	Director NTC Lahore	49.456
03	11,12,13,14,15 & 16	Director NTC Peshawar	6.134
04	05,06,07,08,09 & 10	Director NTC Multan	6.738
05	01	Director NTC Karachi	8.964
Total			**102.032**

Audit pointed this out to the management and PAO during November, 2019. It was replied that an amount of Rs53.289 Million had been recovered and efforts were underway to recover the remaining amount. During verification, an amount of Rs 34.776 million was verified leaving the recoverable balance of Rs

67.256 million. Therefore, the amount of para was reduced to the extent of verified amount.

DAC in its meeting held on 20th December 2019 directed the management to recover the remaining amount and get it verified from audit.

Audit recommends that the recovered amount be got verified from audit and efforts be made to recover the remaining amount.

(DP No.139)

6.5.4 Non-transfer of title of land to NTC-Rs 22.894 million

According to Para 13.4.2 of Accounting Policies and Procedures Manual (APPM), the PAO shall ensure that Fixed Assets Register kept in his department is properly maintained and is up-to-date. The department/entities will regularly review their holding of fixed assets. Para 5.5.1 of Financial Audit Manual (FAM) provides that internal control structure provide reasonable assurance that assets are guarded against loss due to waste, abuse, mismanagement, errors, fraud and other irregularities.

NTC Management had not exercised due care in management of the corporation assets as 122 Kanal and 6 marla land worth Rs 22,893,750 (Approx) was vested to NTC but title of land was not got transferred to NTC. Therefore, chances of encroachment, misuse, etc. cannot be ruled out. The detail is as under:

Area/Location	Area (Kanal & Marla)	Rate per acre (Rs)	Cost of Land (Rs)
Microwave Station, Shah Kot	50	1,500,000	9,375,000
M/St, Tandianwala	12-3	1,500,000	2,259,375

M/St, Joharabad	22-3	1,500,000	4,134,375
M/St, Chinniott	38	1,500,000	7,125,000
Total			**22,893,750**

Audit pointed this out to the management and PAO during November, 2019. It was replied that NTC Lahore had already taken up the case with relevant authorities for transfer of mentioned lands and properties. The said task was also assigned to concerned NTC Divisions and included in their KPI's/ tentative targets.

DAC directed the management to take up the case with Board of Revenue for early transfer of title of land to NTC under intimation to audit.

Audit recommends that ownership/title of land be transferred to NTC immediately under report to audit.

(DP No.72)

6.5.5 Irregular preparation of Civil works estimates on market rates Rs 20.496 million and non-recovery of LD charges Rs 2.047 million

According to para 1.1 of the Pak PWD schedule of rates 2012, while executing civil works, the specifications of PWD should be used. Further according to clause 41of the agreement if the contractor failed to complete the work within the prescribed time i.e. 180 days, contractor shall pay to the NTC liquidated damages Rs15000 per day which shall not exceed 10% of the total contract price.

The record revealed that NTC management awarded left over repair and maintenance works for NTC Regional H/Q building at Lahore to M/s MKH Engineering and construction with bid amount of Rs20,466,270 which was held irregular as the estimate was prepared on market rates instead of Pak PWD schedule rates 2012. which were higher from 27% to 167% than scheduled rates. Further, the contractor failed to complete the work within stipulated period of 180 days and liable for imposition of penalty amounting to Rs Rs2,046,627 (equal to 10% of the contract price).

Audit pointed this out to the management and PAO during November, 2019. It was replied that NTC had its own approved procedure, scheduled rates regarding Civil Works. As regard penalty, it was further replied that same would be imposed as per contract clause in next payments. The reply was not acceptable as no documentary evidence i.e. approved procedure and own scheduled rates were provided. Further, penalty was also not recovered.

DAC in its meeting held on 20th December 2019 directed the management to provide copy of approved procedure as well as NTC's scheduled rates to audit. It was further directed that liquidated damages may be recovered from the contractor and get it verified from audit.

Audit recommends that the responsibility for execution of work on market rates instead of PWD scheduled rates be fixed due to huge variation in rates. Further, amount of penalty may also be recovered from contractor at the time of completion of work under report to audit.

(DP No.70)

6.5.6 Non-recovery of rent from PTCL - Rs 5.629 million

According to Rule-8 of GFR Vol-I, it is the duty of the Revenue Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the Government treasury. The rental rates prescribed by the Ministry of Housing and Works vide their office memorandum

No. F.12(65)2011-Policy dated: 27.03.2017 for hiring office accommodation, as revised from time to time will be charged.

It was observed that PTCL, after Re-organization in 1996, did not transfer vested properties of NTC for last twenty years. Resultantly, a loss of Rs 5,629,050 on account of rent was sustained by the NTC for the year 2018-19.

Audit pointed this out to the management and PAO during November, 2019. It was replied that the CTO Building Multan having open area of 5485 Sq.Ft had never been in possession of PTCL whereas the other sites were being charged to PTCL as per co-location services. The reply was not acceptable as no documentary evidence in support of reply was provided to audit.

DAC in its meeting held on 20th December, 2019 directed the management to produce the relevant record for verification to audit.

Audit recommends that rental charges be recovered from PTCL.

(DP No.226)

6.5.7 Irregular installation of media equipment of black listed telecom companies in NTC

According to clause 5(2) a & b of Telecommunication re-organization act,1996 PTA shall grant and renew licenses for any telecommunication system and any telecommunication service on payment of such fees as it may, from time to time specify, monitor and enforce licenses;

PTA cancelled the licenses of M/s Great Bear and M/s Instaphone but record at NTC central Region Lahore revealed that Media equipment of these two companies had been installed at MSU NTC situated at different sites for providing co-location facility. The installation of media equipment of these companies at Govt. premises aided grey traffic leading to loss of revenue to public exchequer.

Audit pointed this out to the management and PAO during November, 2019. It was replied that the matter was under litigation.

DAC in its meeting held on 20th December 2019 directed the management to pursue the case in court of law for early decision.

Audit recommends that the case may be pursued in the court of law.

(DP No.65)

CHAPTER-7

SPECIAL COMMUNICATIONS ORGANIZATION (SCO)

Chapter 7
(Special Communications Organization (SCO) (MoIT&T)

7.1 Introduction

A) Special Communications Organization (SCO) 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 Telecom Division (MoIT&T).

DG SCO exercises administrative and financial powers given in Financial Budgeting, Accounting and Auditing (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 the Receipt & Expenditure account till the finalization of the Audit Report despite continuous pursuance by the audit. Hence, no comment on the accounts could be made.

Table-I Audit Profile of Special Communications Organization (SCO)

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	11	04	4,720.248	2,763.313
2	• Assignment Accounts • SDAs • ETC				
3	Authorities / Autonomous Bodies etc under the PAO	11	04	4,720.248	2,763.313
4	Foreign Aided Projects (FAP)	01	01	327.891	-

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,440.12 million were raised in this report during the current audit of SCO. This amount also includes recoveries of Rs 49.839 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	73.190

B	Procurement related irregularities	2,039.860
C	Management of Accounts with Commercial Banks	
4	Value for money and service delivery issues	
5	Others	327.073

7.3 Status of Compliance with PAC Directives

Sr No	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
01	1992-93	22	22	18	04	82
02	1996-97	00	00	00	00	000
03	1997-98	04	04	04	00	100
04	1999-00	07	07	07	00	100
05	2000-01	05	05	05	00	100
06	2001-02	05	05	05	00	100
07	2005-06	09	09	09	00	100
08	2008-09	14	14	14	00	100
09	2010-11	16	16	16	00	100
10	2013-14	22	03	02	01	67

AUDIT PARAS

7.4 Irregularities

A. HR/Employee related Irregularities

7.4.1 Irregular expenditure of pay and allowances to the staff of CMA (FWO) - Rs 30.959 million

According to Rule-9 of GFR Vol I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

It was observed that DG SCO made a payment of Rs 30,959,544 on account of pay and allowances and house requisition to the staff of CMA (FWO) during Financial Year 2018-19 which were not on the sanctioned strength of SCO. It was further observed that authorized limit of Senior Auditors of MAG was eight (8) whereas twenty-two (22) senior auditors were working. Thus, fourteen (14) Senior Auditors were working in excess of the authorized strength. Moreover, there was no post of DCO (BPS-16) but payment was made against that post during 2018-19.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that similar nature of audit para 6.7 for the year 2011-12 was recommended for settlement by the DAC during in its meeting held on 26.04.2017. The reply was not acceptable as the payment to the staff & officers of MAG/CMA (FWO) from the budget grant of SCO was irregular**.** Further, pay and allowances of 14 senior auditors (BPS-16) & 01 DCO were working over and above the authorized sanction in violation of letter dated 13.08.1985.

DAC in its meeting held on 21.12.2019 directed the management that case may be referred to MAG for advice/clarification. Further issue regarding working of excess 14 Senior Auditors & one DCO may also be clarified and outcome may be provided for verification.

Audit recommends that fact-finding inquiry may be constituted to probe into the matter. Further, excess expenditure on pay and allowances may be regularized from Finance Division under verification from audit.

(DP No.271)

7.4.2 **Unauthorized payment from Recurring Charges-Rs 30.332 million**

According to para 1.55 of Manual for Development Projects, PC-IV form is required to be submitted to Planning and Development Division depending at the time when the project is adjudged to be completed. The PC-IV proforma are also intended to be used for post-completion evaluation purposes. Further, after completion of the project and submission of PC-IV the pay of O&M staff cannot be charged to the project and same may be paid from recurring charges.

It was observed that date of completion of the project titled replacement of GSM network of AJ&K was 30.04.18 which was extended by Secretary MoIT upto 30.06.2020. Due to non-completion of project and extension in date, PC-IV was not prepared and pay and allowances amounting to Rs 30,331,702 were not charged to the project and paid from recurring charges during 2018-19.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that GSM Network of AJ&K was installed in 2005 and 70 project staff was approved in PC-I was also approved in next PC-I to continue in replaced / new network project. The project was extended upto 30.06.2020, therefore, PC-IV of the project will be submitted after clearance of balance liabilities of project. The reply was not acceptable because the project replacement of GSM Network of AJK was a separate project and during execution all the pay and allowances of the employees were required to be charged to that project. To avoid the increase in cost of the project, the management of SCO charged the pay and allowances to recurring expenses instead of the project.

DAC in its meeting held on 21.12.2019 directed the management to re-verify the stance of SCO and salary component be got verified from audit.

Audit recommends that fact finding inquiry may be constituted to probe into the matter besides fixing the responsibility on those at fault.

(DP No.243)

7.4.3 Excess payment on account of Establishment charges-Rs 9.861 million

According to Rule 10 (i) of GFR Vol-I states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that an amount of Rs 35.560 million was allocated on account of pay and allowances under head Establishment charges in PC-I but the management incurred an expenditure of Rs 45.421 million. Thus, an excess expenditure of Rs 9.861 (45.421-35.560) million was incurred.

Audit pointed this out to the management and PAO during December, 2019. It was replied that due to extension of project completion timelines upto 30 June 2019**,** project staff was paid from establishment head in excess of original authorization by adjusting the deficit amount within the local component. The reply was not acceptable as the payment of pay and allowances were made in excess of allocated amount of PC-I without approval from competent forum.

DAC in its meeting held on 11th December, 2019, directed the management that approval for adjusted amount of Establishment Charges be obtained from Finance Division and get it verified from audit.

Audit recommends immediate compliance of DAC directives.

(DP No.294)

7.4.4 Irregular appointments and unauthorized expenditure thereof-Rs 2.040 million

According to para 1e(vi) of Establishment Division Cabinet Secretariat letter No F.53/1/2008-SP Islamabad, dated 11.05.17, appointment on regular basis of contract/ contingent paid/daily wage/project Employees in ministries, division Sub-ordinate Offices/ Companies / Authorities, qualifications prescribed for a post shall be strictly followed. In case, a person does not possess the prescribed qualifications/ experience for the post he/she is applying for, he/she shall not be considered for the same.

It was observed that DG SCO appointed three officers against different posts in violation of the rule/criteria laid for the post. An expenditure of Rs 2,040,000 was incurred on this account during 2018-19 which was held irregular. The detail is as under:

Sr No	PDP No	Name of Post	Description	Amount (RS)
1	268-20	Field Engineer	The candidate was appointed without having prescribed qualification and experience in GSM Sector. Further, degrees were not recognized by HEC.	720,000
2	270-20	Sr. Project Manager (Technical)	The candidate was appointed without vacancy against the post of SPM (Technical) and prescribed experience.	600,000
3	283-20	Customer Relationship Manger	The candidate was appointed without having prescribed qualification and experience in GSM Sector. Further, degree was not recognized by HEC.	720,000
Total				**2,040,000**

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that as regards Sl.No. 1, the candidate had equivalent degree as required in the post whereas as regards sl.no. 2, the case had been taken up with MoIT&T for relaxation in the experience. Further, as regards Sl.No.3, the management was of the view that no qualification was given in PC-I for the said post and the selected candidate had suitable degree for the post. The reply was not acceptable as the candidates did not possess requisite experiences and relevant qualifications. Further, HEC also not recognized the degrees of the selected candidates.

DAC in its meeting held on 21st December, 2019 directed that DG SCO may personally look into the matter for irregular appointment without availability of post, qualification and experience besides fixing the responsibility to those held responsible under intimation of audit. It was further directed to ensure strict observance of rules while making appointments in future.

Audit recommends immediate compliance of DAC directives.

(DP Nos.268,270 & 283)

B. Procurement Related Irregularities

7.4.5 Change of Scope /equipment without the approval of competent forum-Rs 1,538.828 million

According to Rule 10 (i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that a contract for laying of optical Fiber Cable (OFC) was signed between SCO and M/s Huawei amounting to US$ 44 million on 29.01.2014. The project management & the contractor substantially changed the scope of works and equipment amounting to Rs 1,538,828,858 (US$ 15,622,628 x 98.5) without the approval of competent forum. Further, different equipment i.e.NG WDM & NG SDH Equipment, Microwave deployment and allied Electrical & Power Equipment were replaced with Aerial cable which was not included in PC-1.

Audit pointed this out to the management & PAO during December, 2019. It was replied that the entire change was attributable to Foreign Exchange Component and the same was processed by contract addendum. Further, there was no change in the overall financial outlay of the project which remained unchanged before and after the addendum. The reply was not acceptable as change in scope of work was done without the approval of steering committee, MoIT&T or ECNEC.

DAC in its meeting held on 11th December, 2019, directed the management to constitute a fact-finding committee under the supervision of Member Technical MoIT&T to evaluate and take decision within 15 days regarding justification of substantial change in scope of work and changed material without approval of competent forum.

Audit recommends immediate implementation of DAC directives.

(DP No.298)

7.4.6 Unlawful contract for construction of Towers - Rs 327.055 million

According to minutes of meeting of Project Management Board, the PMB allowed be award of contract to M/s Celmore for GB region and KKH separately as these sections were bid separately.

SCO management awarded contract titled "Expansion and up-gradation of NGMS (3G/4G) services and seamless coverage along KKH (in support of CPEC) in Gilgit Baltistan" to M/s Celmore for construction of 80 towers (46-A category and 34-B category). It was observed that as per PC-I, 72 new towers were required to be built in GB & KKH regions (22 in GB and 50 in KKH). The management awarded contract for construction of 80 towers worth Rs 327,055,555 in GB region instead 22 towers unlawfully. Further, out of these sites, only 23 sites were covered under PC-I and all other sites were located at different cities.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that as per scope of project, cellular services would be provided at 100 new sites and after carrying out detail survey, civil infrastructure was required at 80 sites which was within permissible limit. The reply was not acceptable as 22 sites were required to be constructed in GB region whereas contract was awarded for construction of 80 sites in violation of PC-I.

DAC in its meeting held on 21.12.2019 directed the management that record of revised PC-I may be got verified from audit.

Audit recommends that responsibility for construction of 80 towers instead of 22 towers in GB region be fixed.

(DP No.281)

7.4.7 Un-authorized procurement of generators – Rs 85.028 million

According to para 7C of PC-1 titled "Expansion and up-gradation of NGMS (3G/4G) services and seamless coverage along KKH (in support of CPEC) in GB, the provision for procurement of 62 Generators (600 KVA& 20 KVA) valuing Rs 62 million was require d to be made.

It was observed that SCO management signed an agreement with M/s Imperial Electric Company Private Ltd in June 2018 for supply of 147 Generators (145 of 20KVA and 02 of 600 KVA) worth Rs 344,614,340. An amount of Rs 85,028,118 was paid to the contractor on this account during 2018-19. The expenditure was held unauthorized as the specifications and quantity of generators was in variation to the provision in the PC-I.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that case for revision of

PC-I had been forwarded to MoIT&T for approval. The reply was not acceptable as the procurement was not made according to specification given in the PC-I.

DAC in its meeting held on 21.12.2019 took very serious view and constituted fact-finding inquiry committee comprising of Joint Secretary Admn MoIT, S.O F&A MoIT& Director Development SCO with the direction to come up with comprehensive report by 20.01.2020.

Audit recommends immediate implementation of DAC directives.

(DP No.238)

7.4.8 Irregular expenditure without tenders-Rs 28.741 million

According to Rule 12(1) of PPRs 2004, procurements over one hundred rupees and upto the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. Rule-42(c) (IV) further stipulates that the repeat orders not exceeding 15% of the original procurement may be placed by procuring agency in case of emergency.

DG SCO Rawalpindi incurred an expenditure of Rs 28.741 million on printing of telephone bill, Purchase of drop wire & Purchase of Photocopier without open tendering as detailed below:

Sr No	Year	Item No	Description	Amount (Rs in million)
1	2016-17	27	Printing of Telephone bills	1.388
2	2005-06	7	Purchase of drop wire and underground cable	23.928
3	2005-06	38	Printing of forms and ledgers	3.125
4	2005-06	44	Purchase of photocopiers	0.300
Total				**28.741**

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that Project Management Board (PMB) granted approval for regularization of payment on account of printing of bills during 2016-17. The available registers forms and documents destroyed in 2005 earthquake and to meet the emergent requirement, items were procured without tendering. Photocopiers were purchased in the light of para 47(e) of FB&A procedure for SCO tendering was not required for an amount not exceeding Rs 0.500 million. The reply was not acceptable as the Project Management Board had no powers for regularization of expenditure which was incurred in violation of PPRA. Further, the approval of the PMB regarding calling of quotations upto Rs 500,000/- was not provided to audit.

DAC in its meeting held on 21.12.2019 directed the management to provide emergency certificate from PAO within 15 days. Further, DAC strictly advised to abide by PPRA in letter and spirit and directed to improve the Internal Audit Department.

Audit recommends immediate implementation of DAC directives.

(DP No.15)

7.4.9 Unauthorized purchase of physical assets -Rs 23.301 million

According to Rule 10 (i) of GFR Vol-I states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that the project management of Pak China Optical Fiber Cable SCO purchased heating system, generator, UPS and furniture amounting for Rs 23,300,600 during 2018-19 for CEPAC project but expenditure was charged to contingency of the project instead of physical asset. Therefore, the expenditure was held unauthorized. The detail is as under:

Sr No	PDP No	Description	Amount (Rs)
1	295-20	Unauthorized purchase of heating system, Generator Set & UPS	13,304,677
2	284-20	Unauthorized expenditure on account of purchase of furniture	9,995,923
Total			**23,300,600**

Audit pointed this out to the management and PAO during December, 2019. It was replied against Sr No 1 that during establishment of Khunjerab nodal site, extreme temperatures (-40 C) and other challenges were confronted and was considered mandatory for the technical staff deployed at the node. The heating system was purchased out of contingency head of the project as there was no other financial source to meet this inevitable requirement. Against Sr. No 2 it was replied that furniture was purchased to cater for the visits of high profile local and foreign delegates. The reply was not acceptable as the equipment & furniture was not included in PC-I & original BoQ of the project and no approval from appropriate forum was on record.

DAC in its meeting held on 11.12.19, took a serious notice of the matter and directed to forward the case to Ministry of Finance for regularization of expenditure.

Audit recommends immediate compliance of the DAC directives.

(DP Nos295 & 284)

7.4.10 Unauthorized utilization of project fund-Rs 13.504 million

According to Rule 10 (i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that an amount of Rs 34,500,000 was allocated for purchase of four (04) vehicles i.e. Land Cruiser Jeep 4x4, Hilux 4x4 D/C, Splicing and Testing Van & Folk Lifter but management purchased Six (06) D/Cabin vehicles amounting to Rs 20,995,899 leaving a balance of Rs 13,504,101 during 2013 & 2016. Further, the management exhausted all funds allocated under PSDP but these savings were expended to other head of account without any approval/justification.

Audit pointed this out to the management and PAO during December, 2019. It was replied that 3 x Hilux 4 x 4 Double Cabin were procured after seeking NOC from Finance Division while another 3x Double cabins were purchased for use as Splicing and Testing vans. The Land Cruiser and Fork Lifter were not required therefore the same were not purchased. The reply was not acceptable as the vehicles were purchases for 20.995 million and no record for incurrence of remaining balance of Rs 13.504 million was provided.

DAC in its meeting held on 11.12.19, took serious view of the matter and directed to constitute a fact-finding inquiry at Ministry level to probe into the matter regarding purchase of vehicles and incurrence of saving to other head of account without approval. Further the case be forwarded to Ministry of Finance and Ministry of Planning Division for regularization of expenditure.

Audit recommends immediate compliance of DAC directives.

(DP No.301)

7.4.11 **Unauthorized expenditure for purchase of Fire Suppression System-Rs 11.998 million**

According to Rule 15 of GFR Vo-I, every one whose duty to prepare and render any accounts or returns in respect of public money or stores is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed date. Further rule 13(ii) ibid stipulates that effective system of internal check exists for securing regularity and Propriety in the various transactions including receipt and issue of stores.

It was observed that SCO management incurred an expenditure of Rs 11,998,936 for procurement of Fire Suppression system (Notifier/USA) during 2018-19. During physical verification, the approved system was not installed and another company named Kidde /UK was installed in violation of contract agreement. Further, the fire suppression system was installed in NGMS DR Site and payment was made from SCO's own contingency instead of charging it to the NGMS project.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that according to financial budget, accounting and audit procedure, the provision of purchasing fire extinguishers and fire-fighting appliances was permitted & fire suppression system come in same category. The reply was not acceptable because approved fire suppression system of subject brand was not installed in violation of contract.

DAC in its meeting held on 21.12.2019 directed the management that DG SCO inquire the matter and fix responsibility on those at fault and report be sent to audit by 30.01.2020.

Audit recommends immediate compliance of the DAC directives.

(DP No.248)

7.4.12 **Irregular award of contract without open tender -Rs 11.400 million**

According to Rule 12 (2) of PPRs 2004 read with Para 56 of FBA&A procedure of SCO procurements over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. In cases where the procuring agency has its own website, it may also post all advertisements concerning procurement on that website as well.

It was observed that contract for construction of SCO Technical Training Institute, Gilgit was awarded to M/s Shah & Co Islamabad worth Rs 95.943 million on 9th June 2018. The external work i.e. boundary wall, external services, water pump boring motor, UG water Tank, Land Scaping, Air conditioners, Generators 60KVA & Commercial Power Supply was part of PC-I but these jobs were not included in tender document and these works were executed without tender during 2018-19. Therefore, the expenditure of Rs 11,400,000 was held irregular.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that external work (i.e. boundary wall, external services, water pump, boring motor, UG water tank, landscaping, air conditioners, generators 60 KVA and commercial power supply) were part of tender documents. The reply was not acceptable as these items were not part of tender documents as is evident from the fact that three out of four bidders did not quote prices, therefore, favour was granted to the contractor M/s Shah & Sons.

DAC in its meeting held on 21.12.2019 directed to conduct fact finding inquiry comprising of CFO MoIT and Dy. Director

Audit and to submit a comprehensive report by 20.01.2020.

Audit recommends immediate compliance of the DAC directives.

(DP No.246)

7.5 Others

7.5.1 Loss due to non-transfer/occupation of land to SCO-Rs 198.975 million

According to article 40 of Re-organization Act 1996, notwithstanding anything contained in section 39, the telecommunication services, within the Northern Areas and Azad Jammu & Kashmir shall be operated by Special Communication Organization and the Authority shall issue a license to the organization accordingly. SCO took over possession of all telecom installations, networks and other fixed assets like lands and buildings in GB and AJ&K from T&T in 1976 on the executive order of the then Prime Minister of Pakistan. DOMSAT Earth stations Gilgit and Skardu were installed in 1988 with the funding of Government of Pakistan.

It was observed that the PTCL management illegally occupied the land of SCO despite the fact that SCO was allowed to take over possession of all telecom installations including land at Gilgit Baltistan & Skardu. SCO management failed to get vacation/registration of two Domset sites at Gilgit Baltistan & Skardu in his own name and sustained a loss of Rs 198,975,000 as detailed below:

Sr No	PDP No	Location of Land	Total Area	Rate Per Kanal	Total Cost
1	254-2020	Domest Danyor	70K, 5 M	2,250,000	158,625,000

2	260-2020	Domest Skardu	26K, 9M	1,500,000	40,350,000
Total					**198,975,000**

Audit pointed this out to the management and PAO during November/December, 2019. It was replied against Sr No 1 that DOMSAT sites of Gilgit was erroneously included in PTCL assets. Afterwards the DOMSAT land of Gilgit was transferred in the name of MoIT. Later on Privatization Commission of Pakistan accepted the anomaly and directed MoIT&T to make necessary correction for transfer of land in the name of SCO. Against Sr No 2, it was replied that case was sub-judice in court. The reply was not acceptable as no concrete efforts were on record for early transfer of land in the name of SCO.

DAC in its meeting held on 21.12.2019 directed Joint Secretary (Admn) MoIT to finalize the case on priority basis and documents of transferred land in the name of SCO be provided to audit for verification

Audit recommends expeditious pursuance of the case for early transfer vacation of occupied land from PTCL under intimation to audit.

(DP No.254 & 260)

7.5.2 Non-appearance of security deposits -Rs 64.307 million

According to Rule 8 &26 of GFR Vol-I, it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

It was observed that new subscriber was required to deposit Rs1,000 with SCO on account of security deposits for Public Switched Telephone Network (PSTN) but security amount relating to new/closed PSTN subscribers to the tune of 64,307,000 were not shown in any account maintained in SCO H/qtr during 2018-19. The detail is as under:

Sr No	PDP No	Description	Amount (Rs)
1	240-20	Non-appearance of security deposits relating to Public Switched Telephone Network Subscribers	55,877,000
2	241-20	Unclear status of security deposits relating to closed PSTN subscribers	8,430,000
Total			**64,307,000**

Audit pointed this out to the management and PAO during November/December, 2019. It was replied against Sr. no 1 that security amount was refundable or adjustable against any connection, hence, it was not a part of revenue. Against Sr. No 2 it was replied that audit observation had been taken up with respective offices and reply would be shared later on

DAC in its meeting held on 21.12.2019 directed the management to calculate the total amount of security deposit received/refunded to PSTN subscribers. Further DAC directed that mechanism for security deposit may be devised immediately and amount be reflected in the books of accounts

Audit recommends immediate implementation of DAC directives.

(DP Nos240 & 241)

7.5.3 Non-deduction of Income Tax-Rs 23.726 million

According to section 153 (1) (c) of Income Tax Ordinance 2001, Income Tax @ 10% will be deducted from non filer and non company from the gross amount payable in case of execution of contract.

A contract was signed with M/s Huawei on 29.01.2014 for Construction of Cross Border Optical Fibre Cable (OFC) System between China and Pakistan for International Connectivity of Voice/Data Traffic. An amount of Rs 237,755,988 was paid to the contractor but income tax amounting to Rs 23,725,558 was not deducted from the invoices.

Audit pointed this out to the management and PAO during December, 2019. It was replied that as per contract, all foreign component, scope of work and related activities undertaken by M/s Huawei Technologies Co. Ltd, located at Shenzhen, China. The reply was not acceptable as the vendor provided services in Pakistan but due income tax was not deducted.

DAC in its meeting held on 11.12.19, directed the management to take up the case with CMA (FWO) for provision of documentary evidences regarding deduction of Income Tax. It was further directed that if CMA (FWO) had not deducted the Income Tax, Federal Board of Revenue may be approached along with Audit Para and corroborative evidences for seeking clarification regarding imposition of Income Tax under intimation to audit within fifteen days.

Audit recommends immediate implementation of DAC directives.

(DP No.299)

7.5.4 Non-recovery of outstanding dues from operators– Rs 16.906 million

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

SCO management failed to recover an amount of Rs 19,235,677 from M/s Ufone, M/s PTCL & other subscribers on account of CPP Charges, Telephone Voice Charges and working connections etc. during 2018-19. The detail is as under:

Sr No	PDP No	Description	Amount (Rs)
1	255-2020	Non- recovery outstanding dues from Ufone & PTCL	16,322,721
2	155-2020	Non- recovery outstanding dues from subscribers	2,912,956
Total			**19,235,677**

Audit pointed this out to the management during November/December, 2019. It was replied against Sr. No 1 that reconciliation/settlement with M/s Ufone & PTCL was pending due to traffic reconciliation issues which would be done within due course of time. Against Sr. No 2 it was replied that an amount of Rs 2,330,020 was recovered. During verification recovered amount had been verified. Therefore, the para was reduced to the extent of verified amount.

DAC in its meeting held on 21.12.2019 directed the management to recover the outstanding amount.

Audit recommends that amount may be recovered and be verified from Audit.

(DP Nos.155 & 255)

7.5.5 Non-deduction of Punjab Sales Tax-Rs 9.207 million

According to Sr. No 14 of 2nd schedule of Punjab Sales Tax Act 2012 tax @ of five percent may be levied on construction services and services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works and similar other works. Further, Sr. No 23 ibid stipulates that tax @ of sixteen percent may be levied on services provided by technical, scientific & engineering consultants [including technical inspection and certification services, quality control (standards' certification), technical analysis and testing, erection, commissioning and installation services.

It was observed that DG SCO did not deduct Punjab Sales Tax on Services amounting to Rs 9,206,127 from the invoices/bills of contractors/consultants during 2018-19 as detailed below:

Sr No	PDP No	Description	Amount (Rs)
1	297-20	Non-deduction of Punjab Sales Tax on construction services.	5,530,933
2	239-20	Non-deduction of Punjab Sales Tax on construction services.	1,990,734
3	289-20	Non-deduction of Punjab Sales Tax.	1,600,000
4	261-20	Non-deduction of Punjab Sales Tax.	84,460
Total			**9,206,127**

Audit pointed this out to the management and PAO during December, 2019. It was replied against Sr. No 1 & 2 that taxes were deducted at source by CMA (FWO) and deposited to FBR. Further, MoIT&T being Federal Department, no PST was applicable on these contractors. Against Sr. No 3, SCO was a Federal Organization for provision of ICT Services in AJ&K and GB and PST was not applicable. Against Sr No 4, no organization offers ISO certification inside Pakistan, accreditation service for certifying bodies (Europe) limited had access to QRS (Quality Registrar System) so PST was not applicable. The reply was not acceptable as no documentary evidences in support of reply was provided.

DAC in its meeting held on 21.12.2019 advised the management that the works conducted in the jurisdiction of provinces was subject to deduction of all applicable taxes. DAC directed that the applicable taxes be deducted and be verified from audit.

Audit recommends that amount of tax may be deducted from contractor and be deposited in treasury.

(DP Nos.297,289, 261 & 239)

7.5.6 Unjustified expenditure on procurement of vehicles-Rs 8.548 million

According to Rule 10 (i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that an amount of Rs 8,548,000 was paid to M/s Indus Motor Company Ltd on account of purchase of two Toyota Hilux Double Cabin vehicles from during 2018-19. The expenditure was held unjustified as 51 vehicles were already held by SCO along with project vehicles. Further, record relating to down class /auctioned vehicles were not available in the file.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that 51x Vehicles (Including Jeeps, Double Cabins and Vans were HQ SCO including UC Units) against the authorized strength of 59 vehicles therefore, two double cabin vehicles were purchased against down class vehicles. The reply was not acceptable as record relating to down class vehicles in support of reply was not provided.

DAC in its meeting held on 21.12.2019 directed the management to provide record relating to condemned vehicles along with To&E etc. to audit for verification.

Audit recommends that fact finding inquiry may be constituted to probe into the matter besides fixing the responsibility under intimation to audit. Further the record relating to down class-auctioned vehicle and T O &E of vehicle be provided to audit for verification.

(DP No.275)

7.5.7 Non-payment of electricity bill from Project - Rs 5.404 million

According to Rule 10 (i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

It was observed that PC-I for the project titled "construction of Cross Border Optical Fiber Cable (OFC) system between China & Pakistan for International connectivity of voice/Data Traffic" was approved on 09.12.2010 and the project was completed on 30.06.2019. As per annex-VI Financial Phasing of Capital Cost in PC-I, an amount of Rs 26 million was fixed for "Power Supply" for the project but SCO management booked electricity bill of the Pak China OFC amounting to Rs 5,404,041 from their contingency instead of charging the expenditure to the project during 2018-19.

Audit pointed this out to the management and PAO during November/December, 2019. It was replied that Pak China OFC branch was operating within the premises of SCO and no separate utility billing system was installed. The project was still under development phase within existing SCO's infrastructure and separate utility billing mechanism would be devised once the project become operational for commercial services. The reply was not acceptable as the utility bills were not charged to the project.

DAC in its meeting held on 21.12.2019 directed the management to take up the case with CDWP for revision of PC-I and allocation of funds under head- Power Supply within one month. Further the said practice for payment of utility bills from SCO head be stopped forthwith besides regularization of expenditure from competent forum.

Audit recommends that revised PC-I may be provided and previous expenditure be got regularized from competent authority.

(DP No.252)

CHAPTER-8

TELECOM FOUNDATION (TF)

Chapter 8
Telecom Foundation (TF)
(MoIT&T)

8.1 Introduction

A) Telecom Foundation was established under Charitable Endowments Act 1890 in November 1991 through SRO.1194(I)/91, for the welfare of serving & retired employee and families of Pakistan Telecommunication Corporation (PTC). After the promulgation of Telecom Re-Organization Act in 1996. Three more beneficiaries were included i.e. Pakistan Telecommunication Authority (PTA), National Telecommunication Corporation (NTC) & Frequency Allocation Board (FAB).

The main objectives of the Telecom Foundations are to:

- Run, maintain, promote educational & vocational schools /colleges
- Give stipends & grants to the dependents for education purpose
- Provide lump sum grant in case of death or injury to the beneficiaries
- Extend & improve medical facilities to the beneficiaries & their dependents.

Telecom Foundation (TF) performs its functions under the provision of Charitable Act 1890. It is under the administrative control of Ministry of Information Technology. Telecom Foundation governed by a Board of Governors (BOG) with Secretary, Information Technology as its Chair. Telecom Foundation undertakes business & commercial ventures, civil works and other telecom projects to finance welfare and organization expenses along with rental income from real estates, owned by Telecom Foundation. Telecom Foundation has a headquarter based at Islamabad headed by Managing Director and is assisted by three General Managers (Project, Finance & Admn). It has also three OSP offices located at Islamabad, Lahore & Karachi headed by Dy. General Managers. To run the affairs of the business of Telecom Foundation, it has Board of Governors (BOG) in which policy decisions are taken. To implement these decisions, BOG established an Executive Committee in Telecom Foundation headed by Managing Director, Senior General Manager, General Manager (Finance) and Secretary Telecom Foundation. TF has a human resource of 137 officers and staff.

Telecom Foundation has three subsidiaries namely: M/s Pak Datacom Ltd, TF Pipes Ltd & Pakistan Communication Industries (Pvt) Ltd. TF has, 55% shares in Pak Datacom 60% shares in TF Pipes and 90% in PCI, respectively. PCI is no more operational and is dormant for the last eight years.

B) Comments on Budget and Accounts (2017-18)

1. As per statement of Profit or loss for the year ended June 30, 2018, Telecom Foundation had a revenue of Rs 34.454 million as compared to direct cost of Rs 72.367 million which is 210% of revenues. This shows lose internal control and poor performance of the company.

2. As per Statement of Profit or loss for the year ended June 30, 2018, the Telecom Foundation having a Gross Loss of Rs 37.912 million which is 111% of its revenue. This shows poor performance of the company.

3. As per note 16 of the Financial statement ending on June 30,2018, the TF had Closing stock of Finished goods of Rs 1.556 million remain unchanged since last two years which requires clarification.

Table-I Audit Profile of Telecom Foundation (TF)

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	1	1	506.68	567.971
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	1	1	506.68	567.971
4	Foreign Aided Projects (FAP)	-	-	-	-

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 911.216 million were raised in this report during the current audit of Telecom Foundation (TF). This amount also includes recoveries of Rs 260.662 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	86.609
B	Procurement related irregularities	67.622
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	63.269
5	Others	693.716

***** Audit had also audited the expenditure amounting to Rs 150.167 million pertained to F.Y 2017-18 and Rs 14.886 million pertained to previous years.

8.3 Status of Compliance with PAC Directives

Audit of the entity was conducted first time.

AUDIT PARAS

8.4 Irregularities

A. HR / Employee Related

8.4.1 **Irregular expenditure on staff engaged over and above the sanctioned strength – Rs 51.976 million**

According to Rule-9 of Service Rules approved by the Board of Governor of Telecom Foundation (TF) dated 23.05.1995, the total sanctioned strength of TF employees was proposed as 78.

It was observed that working strength of the Telecom Foundation employees was 137 against the sanctioned strength of 78 which showed that 59 numbers of employees working over and above the sanctioned strength. Therefore, expenditure of Rs 51,976,200 incurred on account of pay & allowances during 2017-18 and 2018-19 was held irregular. Detail is as under:

Sr No	PDP No	Financial Year	Amount (Rs)
1	97-2020	2017-18	26,833,200
2	340-2020	2018-19	25,143,000
Total			**51,976,200**

Audit pointed this out to the management and PAO during October to December, 2019. It was replied that Executive Board was authorized to appoint staff. In the instant case 59 numbers of employees were hired for execution of various projects over and above the sanctioned strength. The reply was not acceptable as the staff was appointed over and above the sanctioned strength without the approval of Board of Governors.

DAC in its meetings held on 20th December, 2019 and 1st

January, 2020 directed the management to renationalize the staff engaged over and above the sanctioned strength. Further, DAC refer the case to BoG for deliberation and decision.

Audit recommends that responsibility for engagement of staff over and above the sanctioned strength be fixed. Further, case be referred to Board of Governors for decision.

(DP Nos.97 & 340)

8.4.2 Irregular payment of allowances at enhanced rates – Rs19.747 million

According to clause-6 of the Service Rules of Telecom Foundation approved by the Board of Governors (BOG), all employees shall be appointed against the pay scales according to the prescribed qualifications and experience. In addition to this, they will also be entitled to the benefits/allowances to be prescribed by the Board of Governors from time to time. Further Rule-9 ibid stipulates that one-month gross salary of an employee per annum was payable on account of reimbursement of medical charges. Furthermore, clause 15.2 (g) ibid prescribed that encashment will be made at the rate of individuals current basic pay scale (excluding all allowances).

It was observed that Executive Board of Telecom Foundation enhanced the rates of conveyance allowance, headquarter allowance, medical allowance, encashment of earned leave and payment of H/Qtr allowance to the regular and contract employees. The decision of enhancement was deemed irregular as Executive Board was not competent to decide financial matters without the approval of Board of Governors. Therefore, payment of Rs 19,747,267 made to employees during 2017-18 was held irregular:

Audit pointed this out to the management and PAO during October and November, 2019. It was replied that according to TF service rules the Executive Board was competent to create all necessary posts along with determination of size of establishment and to fix the pay and allowances for various categories of posts. The reply was not acceptable as the executive committee was constituted by Board of Governors to implement its decisions and in the instant case the Board enhanced the allowances without the approval of Board of Governors which was not under its preview.

DAC in its meeting held on 20th December, 2019 refer the case to Board of Governors for deliberation and decision.

Audit recommends that matter may be investigated to fix responsibility for making payment of allowances at enhanced rates without the approval of BoGs. The case may be referred to Board of Governors for decision.

(DP No.113)

8.4.3 Irregular appointment and payment of pay & allowances - Rs 12.436 million

According to Sr. No.IV of Schedule-I regarding administrative powers of MD, appointment against the post of GMs shall be made with the approval of BOG. Further, clause-6.2 of the Service Rules of Telecom Foundation (TF) stipulates that all employees will be entitled to the benefits / allowances to be prescribed by the BOGs from time to time. While making revision of Pay Scales 2005, BOG directed to grant increments for scales SE-I to E-IV beyond the maximum stages based on performance of the employees in exceptional cases.

Audit observed that management of Telecom Foundation irregularly appointed/promoted General Managers Finance & Project and also granted advance increments without the approval of BoGs. Resultantly an irregular payment of Rs 12.436 million was made. The detail is as under:

(Rs in million)

Sr No	PDP No	Description	Amount
1	101-20	Irregular payment of Pay & Allowances and end services benefits	9.377
2	102-20	Irregular appointment of GM (Admn/Projects) and payment of Pay & Allowance	3.059
Total			**12.436**

Audit pointed this out to the management and PAO during October and November, 2019. It was replied against Sr. No 1 that the matter was discussed in 57th BoG meeting. The Chairman BoG directed that appointments at the level of GM and above in TF were being made by TF management which was not under its preview. Against Sr. No 2, it was replied that appointment and up-gradation of Sr GM Project was sent to the BoG which was not approved. The reply was not acceptable as the appointment of GMs & advance increments were made without the approval of BoG.

DAC in its meeting held on 20th December, 2019 referred the case to BoG for regularization of expenditure/recovery. It further directed against Sr. No 2 to fix responsibility, recover the amount and get it verified from Audit.

Audit recommends that matter may be investigated for making irregular appointment as GM Finance and Senior GMs without the approval of BoG. The amount may be recovered/regularized from BoG under intimation audit.

(DP Nos.101 & 102)

8.4.4 **Irregular appointment of Chief Executive Officer of Pak Datacom and non-recovery of Rs 2.450 million**

According to Rule 5 (2) of Corporate Governance Rules 2013 (CGR), the Board shall evaluate the candidates based on the fitness and proper criteria and the guidelines specified by the commission for appointment to the position of Chief Executive, and recommend at least three individuals to the Government for appointment as Chief Executive of the Public Sector Company. On receiving concurrence of the Government, the Board shall appoint the Chief Executive in accordance with the provisions of the Ordinance.

Audit observed that Syed Abrar Hussain, Joint Secretary MoIT was given the charge of Chief Executive Officer of Pak Datacom by the Ministry of Information Technology (MoIT) without the approval of Board of Directors of Pak Datacom. An amount of Rs 2.450 million was paid to him as remuneration in addition to his Pay & Allowances from MoIT. Due to media reports, appointment of CEO was withdrawn ab-initio by MoIT, but recovery of remuneration and other allowances was not made.

Audit pointed this out to the management and PAO during October and November, 2019. It was replied that an inquiry was initiated against the officer in the MoIT and fate of case would be decided after conclusion.

DAC in its meeting held on 20th December 2019 directed the management to complete the inquiry process, recover the amount and get it verified from Audit.

Audit recommends immediate compliance of DAC directives.

(DP No.232)

8.4.5 **Promotion of officer as Manager having bogus BBA degree**

As per Clause-3(b) of Service Rules approved by the Board of Governor of Telecom Foundation, the appointment in the Foundation shall be conditional upon verification of personal data and certificates of services or qualifications references and any other information or particulars which the foundation may require.

Audit observed that Mr. Riaz Ahmad Khan, store keeper requested TF management to promote him on the basis of passing of BBA examination. The Executive Board of Telecom Foundation promoted him as Dy Manager E-IV on 08.02.2007. On receipt of complaint from TF employees, the management inquired the matter and directed him to submit original degree of BBA which was not provided by him. The officer was imposed penalties of suspension and reversion from higher scale to lower scale along with stoppage of two increments. The both major penalties were set aside by MD TF and he was further promoted as Manager (Admn) in Pay Scale E-III despite having bogus degree.

Audit pointed this out to the management and PAO during October and November, 2019. It was replied that the officer had resigned from service w.e.f 2nd October 2019 and an inquiry committee had been initiated to probe into the matter.

DAC in its meeting held on 20th December 2019 directed the management to conduct a fact-finding inquiry and results thereof be shared with BoG and Audit within a week.

Audit recommends immediate implementation of DAC directives.

(DP No.107)

8.4.6 Non-framing of service rules and unauthorized promotion cases

As per clause-5 of Service Rules approved by Board of Governors (BOGs) of Telecom Foundation in 1995, the rules for promotion from lower to higher posts within foundation are to be framed and put up for approval of the chairman of BOG. Further, Clause (5) (a) of Promotion rules, separate criteria/rules will be laid down for promotion of each cadre. Until the criteria/rules laid down, the promotion shall be regulated by the rules to be framed by the Board of Governors.

Audit observed that Executive Board of Telecom Foundation did not frame service rules as directed by BOG. The initial appointments were made on contract basis without observing codal formalities i.e. advertisement, medical fitness certificates, verified educational certificate & personal data and job qualification. Further direct recruitment quota as well as promotion quota was also not bifurcated. Moreover, rules for promotion were required to be framed for each cadre containing length of service, qualification, seniority cum fitness and got approved from the Board of Governors which was not got done and simultaneous promotions of officers/officials working on regular/contract basis were made unauthorizedly from lower to higher grade.

Audit pointed this out to the management and PAO during October and November, 2019. It was replied that promotion of the staff was made as per rules approved by the Executive Board. The reply was not acceptable as Executive Board of the Telecom Foundation was not competent to make and implement such rules without the approval of BoG.

DAC in its meeting held on 20th December 2019 directed the management to frame service rules and unauthorized promotion cases be referred to BoG for deliberation and decision besides approval of the service rules.

Audit recommends immediate implementation of DAC directives.

(DP No.233)

8.4.7 Irregular regularization of services of contract employees

According to Clause-3(C)(1), the Executive Committee shall create, upgrade, downgrade or abolish any post or posts in any class or classes either permanent or temporary in conformity with the rules contained herein. All vacancies may be advertised in the newspapers inviting application within specific period. The head of department will scrutinize to ascertain that all conditions of advertisement like qualification, experience etc. have been complied with. The relevant selection committee shall conduct the requisite tests/interviews to submit its recommendations to the competent authority for further action and candidates finally selected will be required to undergo a medical test by a medical officer of the Foundation.

Audit observed that Executive Board in its meeting held on 28.10.1999 regularized the services of thirty-five (35) contract employees of different cadres. The decision of the Executive Board was held irregular as it was not competent to regularize the services of contract employees without the approval of BoG.

Audit pointed this out to the management and PAO during October and November, 2019. It was replied that matter was brought into the notice of BoG for regularization of services of 35 contract employees. The BoG decided to provide comfort to the employees, the opinion to reshape the contract of the employees preferably on open ended basis may be examined by TF and brought to the Board alongwith draft contract for decision. The reply was not acceptable as the BOGs did not approved the proposal for regularization of services of contract employees.

DAC in its meeting held on 20th December 2019 to refer the case to BoG for deliberation and decision.

Audit recommends immediate implementation of DAC directives.

(DP No.115)

B. Procurement related irregularities

8.4.8 Irregular expenditure without tenders Rs 67.622 million

According to para 10 (iii) (iv) of revised purchase procedure of TF, the purchases above Rs 100,000 shall be made through purchase committees after calling tenders through press and in case where purchase proposals exceed Rs 500,000 the proposals shall be referred to MD TF H/Qtr for approval before finalization. Further para 11 and 12 ibid stipulates that in case where purchase proposal exceeds Rs 10 million the proposal shall be referred to the respective Board of Director / Governors of the organization for approval before finalization. In case of items of regular consumption, it is not feasible to issue tenders through press every time and in such cases the possible reputed suppliers shall be pre-qualified for a period of one year by tender through press and sealed quotations shall be invited from the pre-qualified suppliers only.

It was observed that Telecom Foundation executed six (06) contracts worth Rs 67,621,642 for laying of NTC network and construction projects through its OSP offices without calling tenders in violation of rules.

Audit pointed this out to the management and PAO during October to December, 2019. It was replied that a committee had been constituted to probe into the case and final reply would be submitted in due course of time.

DAC in its meetings held on 20th December 2019 and 1st January, 2020 directed the management to conduct Fact-Finding inquiry by taking a member from MoIT and provide outcome of the inquiry report to Audit.

Audit recommends immediate implementation of DAC directives.

(DP Nos.89 & 338)

8.5 Value for money and service delivery issues

8.5.1 Non-utilization of land and heavy expenditure thereof-Rs 51.979 million

According to Para 18 of the Capital Development Authority (CDA) allotment letter dated 20th February 1995, in case of breach of any condition and non-observance of the formalities within the due time given in the letter or in the agreement to be executed by TF, the allotment will be liable to be withdrawn and 10% to 20% of the premium of the plot as deemed appropriate by the Authority will be forfeited and the plot will be disposed off without any notice and TF will also be responsible for any loss that the CDA may sustain for release of the plot.

Audit observed that a piece of land measuring 3.15 acres (15246 Sq yards) was allotted to M/s Telecom Foundation (TF) by CDA for construction of hospital in Sector H/8-4, Islamabad after payment of premium of land Rs 12,196,800 on 20.02.1995. Due to non-availability of resources for construction of hospital, TF requested CDA on 20.04.2005 to change the title of land from Hospital to ICT related business (Software Technology Park). CDA considered the request and agreed, subject to the condition that the construction must commence within three months failing which the plot would be withdrawn by CDA but no construction was started till date. An amount of Rs 51,978,667 was paid to CDA for the period 1995 to 2019.

Audit pointed this out to the management and PAO during October and December, 2019. It was replied that matter had been taken up with PTET for joint venture as per directives of BOGs.

DAC in its meetings held on 20th December, 2019 and 1st January, 2020 directed the management to fix responsibility for non-achievement of targets. Further, all relevant plans, strategy to utilize this land be shared with Audit.

Audit recommends immediate implementation of DAC directives.

(DP Nos.111 & 309)

8.5.2 Default in payment of foreign loan – Rs 11.290 million

According to clause 6.1 and 6.3 of the agreement signed between Pakistan Telecommunication Industries (Pvt.) Limited and the Norwegian Agency for Development (NORAD), the borrower shall repay the loan in six instalments on due dates. In the event of delayed payment, the amount due shall from the due date until payment is made, carry interest at a rate set forth in accordance with the Norwegian laws for the time being 12% per annum. Such interest shall be calculated in the same manner as interest according to clause 5.1 and shall be payable on NORAD demand.

Audit observed that Pakistan Communication Industries (Pvt) Ltd (a subsidiary of M/s TF) made a loan agreement of worth Rs 4.700 million with Norwegian Agency for Development Cooperation (NORAD) on the counter guarantee of TF in July 4, 1995. The loan was required to be paid within 72 months with interest rate @ 3% per annum. PCI defaulted on the repayment of loan due to which NORAD agency filed a civil suit of Rs 11.290 million (1.290 million principal amount and 10 million damages) in the court of law.

Audit pointed this out to the management and PAO during October and November, 2019. It was replied that the matter was sub-judice in the court of law. The reply was not acceptable as the management of Telecom Foundation did not make concrete efforts to settle these obligations and huge amount was lying payable since long.

DAC in its meeting held on 20th December 2019 directed the management to pursue the case for early settlement of the issue.

Audit recommends immediate implementation of DAC directives.

(DP No.118)

8.6 Others

8.6.1 Non-receipt of refund from income/sales tax department-Rs 291.403 million

According to Section 100 (2) (a) of Income Tax Ordinance 2001 (exemptions) a trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government are exempted from income tax. Further, 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 amount.

Audit observed that Telecom Foundation and M/s. TF Pipes (a subsidiary of telecom foundation) did not receive refund from income / sales tax department amounting to Rs 291.403 million as on 30.06.2019. The huge amount depicts as receivable tantamount to ineffective management and loose internal controls as detailed below:

(Rs in million)

Sr No	PDP No	Description	Amount
1	117-20	Non receipt of refund from Income /Sales Tax department by TF	222.567
2	98-20	Non receipt of refund from Income/ Sales Tax department by TF Pipes	38.712
3	305-20	Non receipt of refund of Income Tax by TF	30.124
Total			**291.403**

Audit pointed this out to the management and PAO during October to December, 2019. It was replied that matter had been taken up with FBR for receipt of sale/income tax refunds.

DAC in its meeting held on 20th December 2019 and 1st January, 2020 directed the management that efforts be made for refund of income/sales tax amount or write off it from the books of accounts after getting approval from the BoG and get it verified from Audit.

Audit recommends that steps may be taken to resolve the issues and early realization of income/sales tax from tax authorities to improve the cash inflow and better utilization of the resources.

(DP Nos.117, 98 & 305)

8.6.2 Non-recovery of outstanding dues from subsidiaries – Rs 259.017 million

According to Para 5 of the Statutory Notification No.1194 (I)91 dated 04.11.1991 issued by the Ministry of Health, Special Education and Social Welfare regarding establishment of Telecom Foundation, the Board may enter into contracts, engagements, arrangements and execute necessary documents. These powers were delegated to the Managing Director TF by the Board.

Telecom Foundation management failed to recover an amount of Rs 259.017 million on account of outstanding dues from its subsidiaries, client organizations and advances to its employees and contractors.

Audit pointed this out to the management and PAO during October to December, 2019. It was replied that an amount of Rs 14.377 million had been recovered and verified by Audit. Therefore, amount of para was reduced to the extent of verified amount.

DAC in its meetings held on 20th December 2019 and 1st January, 2020 directed the management to make strenuous efforts to recover the outstanding amount and get it verified by Audit.

Audit recommends immediate implementation of DAC directives.

(DP Nos. 91,109,110,93,341,327,318,322 & 316)

8.6.3 Non-payment / adjustment of taxes by subsidiaries of TF- Rs 141. 651 million

M/s Telecom Foundation owned 55% shares of Pak Datacom, Limited and the Managing Director, TF was the Chairman of the Board of Directors of the Pak Data com (PDL).

Whereas share holdings of TF in Pakistan Communication Industries (PCI) (Pvt) Ltd is 90% and 80% in TF Pipes Limited.

Scrutiny of consolidated financial statements of TF and its subsidiaries for the year ended 2018-19 showed that TF and its subsidiaries did not paid/adjust tax amounting to Rs 141.751 million with tax authorities.

Audit pointed this out to the management and PAO during December, 2019. It was replied that the case for refund / adjustment of tax had been filed with Tax Authorities. The case was pending for decision in the FBR.

DAC in its meeting held on 1st January, 2020 directed the management to resolve the issue with FBR at the earliest and get it verified from Audit.

Audit recommends immediate implementation of DAC directives.

(DP 314)

8.6.4 Non-recovery of dues against additional work -Rs 1.645 million

As per general financial rules, it is the duty of controlling officers to see that all the sums due to organization are regularly & promptly assessed, realized & duly credited in its Accounts. Further, No amount due to department should be left outstanding without sufficient reason.

It was observed that Telecom Foundation entered into contract with M/s Averox, Islamabad for "Erection of 55 meter Self Supported Green Field Tower at Akora Khattak". The work was sublet to M/s Gul Sahib & Sons and M/s Tower & Allied Services Corporation. M/s Tower & Allied Services did some additional work on behalf of Telecom Foundation but cost of additional work amounting to Rs 1,645,000 was not recovered from M/s Averox.

Audit pointed this out to the management and PAO during December, 2019. It was replied that civil suit of recovery was filed against M/S Averox (Pvt) Limited.

DAC in its meeting held on 1st January, 2020 directed the management to conduct a Fact-Finding Inquiry to ascertain the reasons why the interest of the TF was not safeguarded in the contract. Further, the contract management may be improved to protect the interests of the TF and its subsidiaries.

Audit recommends immediate implementation of DAC directives.

(DP No.26)

CHAPTER-9

UNIVERSAL SERVICE FUND COMPANY

(USF)

Chapter 9
Universal Service Fund (USF)
(MoIT&T)

9.1 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 expenditure to be made and incurred by the Federal Government in managing USF. The Federal Government shall be responsible for the coordination and ensuring timely utilization and release of sums in accordance with the criteria as may be prescribed.

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 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 As per note 11 & 12 the restricted fund balance appears as Rs40,160,764 as Deferred Capital Grant but as per note 4 & 5, the addition in assets was Rs16,435,362 + Rs23,740,402 which amounts to Rs40,175,764 which shows difference of Rs 15,000. This resulted in understatement of Assets and Liabilities.

2 As per note 9 of balance sheet, other receivables as on June 30, 2018, were of Rs 4,500 as compared to other receivable as on June 30, 2019 Rs 1,096,016,872 which shows huge increase as compared to previous year which shows loose internal control on receivable and mechanism of receivable management.

Table-I Audit Profile of USF

(Rs in million)

Sr No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
1	Formations	01	01	6,603.243	-
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	6,603.243	-
4	Foreign Aided Projects (FAP)	-	-	-	-

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,516.22 million were raised in this report during the current audit of USF. This amount also includes recoveries of Rs 1,304.846 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	75.674
B	Procurement related irregularities	1136.862
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	303.68

9.3 Status of Compliance with PAC Directives

No PAC had been convened till date.

AUDIT PARAS

9.4 Irregularities

A. HR/Employees Related Irregularities

9.4.1 **Irregular payment of gratuity – Rs 6.415 million and non-investment of trust funds - Rs 69.259 million**

According to rule 13.5 of Gratuity Fund Rules, the fund and the control thereof shall be vested in the Trustees who shall be entitled to employ such legal advisors, accountants or other professional advisors as they may think fit. The Trustees may from time to time authorize any two of their members to act jointly for managing the Fund and to sign cheques etc. and operate the bank Account of the Fund. However, the bank cheques of the Fud shall be signed by the at least two Trustees of the Fund. Rule 13.10 ibid further states that the monies of the Fund not immediately required for the purpose of the Fund shall be invested in the name of the Fund as the Trustees may select, in accordance with the provision of Sub-rule (2) of Rule 102 of the Income Tax Rules, 2002. The trustees shall have power at their discretion to sell the investments and reinvest the sale proceeds in such securities or investments authorized by the said sub-rule.

It was observed that USF management paid gratuity of Rs 6,414,680 to 12 employees who left the USF Company during 2018-19. The gratuity was paid from NIDA Account which was running as operational account of USF Company. Further, USF Company created a USF Gratuity Fund Trust in December 2014 but did not establish trustees committee to run the affairs of the Trust. The Gratuity Fund balance had been accumulated to Rs 69,258,769 as on 30-06-2019. The amount of fund was not invested in the light of the Finance Division Investment Policy of 2003.

Audit pointed this out to the management and PAO during November, 2019. It was replied that the gratuity payment was being made to employees from regular budget account due to delayed receipt of NTN. Further, the amount of Gratuity Fund was invested in risk free NIDA account and profit amounting to Rs 4.777 million @12% was also received during 2018-19. The reply was not acceptable as the gratuity payments from regular budget instead of fund account was violation of rules. Further, the profit earned and rate of interest did not match with each other.

DAC in its meeting held on 22nd November, 2019 directed the management to regularize the gratuity payment from USF Board of trustees. It was further directed that risk free investment of gratuity fund be made in a transparent manner in "A" rating banks. The amount of profit and rate of interest be got verified from audit.

Audit recommends immediate compliance of DAC directives.

(DP No.42)

B. Procurement related irregularities

9.4.2 Non recovery of liquidated damages and de-scoping charges from PTCL -Rs 1,095.962 million

According to terms and conditions of Services and Subsidy Agreements made with PTCL by USF, liquidated damages LD @ 0.5% will be levied from the contractor in case of delayed completion of work.

Audit observed that USF management signed three services and subsidy agreement with M/s PTCL for provision of telecom services to unserved/underserved areas of KPK and Balochistan. M/s PTCL failed to complete the task within schedule time but liquidated damages (LD) and de-scoping charges amounting to Rs 1,095.962 million were not recovered from PTCL. Detail is as under

Sr No	PDP No	Description	No. of Weeks delayed	Amount recoverable (Rs)
1	41-20	Non-recovery of liquidated damages and de-scoping charges against broadband Hazara telecom region from PTCL	334	26,171,675
2	43-20	Non recovery of liquidated damages and de-scoping charges against Mastung Project from PTCL	171	281,929,918
3	47-20	Non recovery of liquidated damages for 3rd and 4th milestone from PTCL	553	787,860,670
Total				**1,095,962,263**

Audit pointed this out to the management and PAO during November, 2019. It was replied that LD would be recovered for delayed completion of work after the decision of case of arbitration. The reply was not acceptable as the USF management failed to monitor these projects effectively which caused delayed completion of projects. Further, LD and de-scoping charges were not recovered.

DAC in its meeting held on 22nd November, 2019 directed the management to review the mechanism to safeguard the interest of the company and recover the amount within 30 days. The recovered amount may be got verified from audit along with sufficient evidence that has caused delay in dispute resolution.

Audit recommends immediate compliance of DAC directives.

(DP Nos.41,43 & 47)

9.4.3 Non forfeiture of performance guarantee -Rs 40.900 million

According to clause 7.2, 27&28.1 of the contract made between USF and M/s Excellence Delivered (ExD) Pvt. Ltd, in case the service provider fails to comply with the execution timeline, the same shall be liable to pay liquidated damages @ 0.5% of milestone value per week for each week delayed beyond the final date of completion of a milestone. In case such delay exceeding two (02) weeks beyond the final date of each Milestone, USF may terminate the contract after deduction of the said LD and USF will have the right to encash the Performance Guarantee.

USF company entered into a contract with M/S Excellence Delivered (ExD) Pvt. Ltd worth Rs 409 million for empowerment of craft SME/MSMEs small medium enterprises through E-commerce developing. The contractor failed to complete the work despite extensions. USF management terminated the contract on 1st April, 2019 and applied for encashment of performance guarantee on 04.04.2019 which was not enchased as the contractor had got stay order from the court.

Audit pointed this out to the management and PAO during November, 2019. It was replied that due process was adopted for cancellation and encashment of performance guarantee. The contractor got stay order on 28-2-2019. The reply was not acceptable as the management decided for encashment of performance guarantee on 1st April, 2019 whereas the contractor had got stay order on 28.02.2019 and the management remained unaware about it.

DAC in its meeting held on 22nd November, 2019 directed the management to take effective steps to vacate the stay order and encash performance guarantee as soon as possible under verification to audit.

Audit recommends compliance of DAC directives.

(DP No.45)

9.5 Others

9.5.1 Non-Recovery of outstanding dues – Rs 167.984 million

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

It was observed that Universal Service Fund (USF) Management failed to recover an amount of Rs 167,984,258 on account of USF contributions from telecom operators during 2018-19

Audit pointed this out to the management and PAO during November, 2019. It was replied that PTA was responsible for recovery being regulator of these operators. USF had no concern with recovery except reconciliation of recovery figures with PTA. The reply was not acceptable as USF management did not follow up its receivables which was the only source of funding to manage its projects.

DAC in its meeting held on 22nd November, 2019 directed the management to chalk out a mechanism to effect recovery while ensuring quarterly reconciliation with PTA and vigorous efforts be made to recover the outstanding dues. The recovered amount be got verified from audit.

Audit recommends immediate compliance of DAC directives.

(DP No.40)

9.5.2 **Unjustified grant of Force Majeures and non-recovery of LD charges - Rs 135.696 million**

According to clause 13 and 13.01 subsidy contract, a Force Majeure Notice shall contain reasonable particulars of the Force Majeure Event in question and the effect of such Force Majeure Event as it relates to the obligations of the non-performing, hindered or delayed Party hereunder, within 10 Business Days of receipt of the Force Majeure Notice. The other Party shall either certify in writing to the non-performing, hindered or delayed Party that a Force Majeure Event has occurred; or indicate in writing to the non-performing, hindered or delayed Party that a Force Majeure Event has not occurred, providing reasons for this conclusion.

Audit observed that USF management signed two services and subsidy agreements for provision of telecom services to unserved/underserved areas of KPK and Balochistan. Both contractors did not complete the work within stipulated time period and applied for force majeure which was accepted by the management. The acceptance of force majeure was held irregular as notices were not replied within 10 days by the management as required under contract. Further requests of the service providers were entertained after issuance of final inspection letter by the contractors. Thus, undue favour was extended. The detail is as under:

Sr No	PDP No	Contractor Name	LoT No.	No. of Days Force majeure granted	LD not deducted (Rs)
1	46-20	M/s Telenor	Chitral-3	531	63,458,798
2	49-20	M/s Pak Tel Mobile Ltd.	Khuzdar	255	72,237,000
Total					**135,695,798**

Audit pointed this out to the movement and PAO during November, 2019. It was replied that force majeures were granted keeping in view the prevailing problems in completion of projects. The reply was not acceptable being contrary to the clauses of the agreements.

DAC in its meeting held on 22 November, 2019 took serious view for issuance of unjustified force majeures and directed the management that the projects launched should be well planned and realistic. Steps be taken to avoid undue issuance of force majeures. Record relating to force majeures be provided to audit for verification.

Audit recommends immediate compliance of DAC directive.

(DP Nos.46 & 49)

ANNEXURES

ANNEXURE-I

MFDAC PARAS

Sr No	PDP No	Subject	Amount (Rs in million)
1.	**PAKISTAN TELECOMMUNICATION AUTHORITY**		
01	185-20	Non-recovery of rent from FAB	5.586
02	188-20	Forecful withdrawal of tax by FBR from the Collection account of PTA	1,631.474
03	189-20	Loss due to delayed credit of profit by the bank	1.102
04	190-20	Irregular expenditure on foreign consultancy services	3.331
05	191-20	Wasteful expenditure incurred on extension of lease period	10.894
06	192-20	Unjustified finalization of tender	56.620
07	194-20	Un-authorised withdrawal from collection account for purchase of vehicle	3.600
08	197-20	Undue favour extended to licensees by returning dis-honoured cheques	1.864
09	207-20	Un-authorized payment of pay and allowances/perks	2.619
10	208-20	Un-authorized remuneration to Law Consultant	2.244
11	210-20	Un-authorized re-imbursements	0.297
12	213-20	Un-authorized grant of lien	0
13	217-20	Loss due to short claim of Annual regulatory Dues (ARDs)	321.014
14	219-20	Non-deduction of income tax on monetization	1.072
15	220-20	Un-justified allotment of earmarked residence and less deduction of rent	0.216
16	222-20	Un-justified procurement of firewall	7.996
17	227-20	Irregular establishment of DIRBS by PTA	0
Total			**2049.929**

Sr No	PDP No	Subject	Amount (Rs in million)
2.	**FREQUENCY ALLOCATION BOARD**		
01	05-20	Unauthorized grant of advance increments and end service benefits	1.344
02	07-20	Non-allocation of frequency spectrum to SCO for various telecom services in AJ&K and GB	0
03	08-20	Non-finalization of re-farming and vacation of WLL spectrum	0
04	11-20	Excess payment on account of daily allowance	2.292
05	13-20	Unapproved function / technical regulation	0
06	55-20	In-appropriate action by FAB on unauthorized usage of spectrum by the operators	0
07	154-20	Holding of Global Maritime Distress and Safety System (GMDSS) and Radio Telecom Operator (RTO) examinations without any SOP	0
Total			**3.636**

Sr No	PDP No	Subject	Amount (Rs in million)
3.	**NATIONAL RADIO TELECOMMUNICATION CORPORATION (PVT.) LIMITED**		
01	171-20	Irregular award of civil work	0.643
02	175-20	Non-receipt of stores	0.638
03	179-20	Non-adjustment /recover of TA /DA advance	0.591
04	180-20	Non-adjustment /recovery of temporary advance	0.855
05	181-20	Undue deduction of income tax inspite of exemption certificate	3.814
Total			**6.541**

Sr No	PDP No	Subject	Amount (Rs in million)
4.	**ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL**		
01	131-20	Non-approval of chart of accounts and accounting procedure from Auditor General of Pakistan / CGA	-
02	132-20	Non - establishment / existence of Internal Audit Cell	-
03	136-20	Non-achievement of objectives by ECAC	-
Total			**-**

Sr No	PDP No	Subject	Amount (Rs in million)
5.	**IGNITE NATIONAL TECHNOLOGY FUND COMPANY**		
01	75-20	Un-justified expenditure incurred on account of deliverables	3.698
02	76-20	Irregular expenditure incurred on remuneration	1.920
03	77-20	Loss due to award of work on higher rates	3.196
04	79-20	Irregular expenditure sanctioned by the partner of M/s PMCL	175.859
05	81-20	Un-justified expenditure incurred on event services	0.338
06	141-20	Unauthorized award of contract and expenditure on health insurance	4.820
07	142-20	Irregular expenditure on acquiring of DSL and webhosting facilities	3.146
08	143-20	Irregular grant of additional charge and misclassified expenditure	4.570
09	146-20	Non-achievement of pre-defined Research & Development objectives	0
10	147-20	Non-fulfilling of contractual obligations and less realization	0.194

11	148-20	Weak internal controls, imposition of fine by SECP and non-compliance of corporate governance rules	0
12	153-20	Irrational release of Funds	990.000
13	157-20	Unjustified expenditure on account of legal fee	1.180
14	182-20	Non-establishment of Internal Audit wing	0
15	231-20	Shortcomings in NICs Request for Proposals (RFP)	0
Total			**1,188.921**

Sr No	PDP No	Subject	Amount (Rs in million)
6.	**NATIONAL TELECOMMUNICATION CORPORATION**		
01	16-20	Irregular expenditure on replacement of CCTV cameras without tendering	0.988
02	17-20	Non deduction of sales tax on service	0.203
03	18-20	Non- auction of condemned vehicles	3.138
04	19-20	Non-Surrender to FCF	50.213
05	26-20	Non-recovery of quarter rent	1.098
06	27-20	Non-achievement of objectives and shortfall of revenue	92.243
07	28-20	Non-Capitalization of ERP project	14.214
08	29-20	Variation in booked figures of net revenue against IGE	5.613
09	32-20	Un-authorised retention of sales tax	21.219
10	34-20	Un-authorized time extension in completion of project and non-deduction of LD charges	0.431
11	35-20	Loss of revenue due to conversion of foreign remittances on ordinary rates	0.587
12	37-20	Undue favour to foreign career against international traffic and non recovery	0.622
13	38-20	Continuing operating loss to NTC	0
14	39-20	Unjustified retention of preparid balance of foreign carriers	2.547

15	53-20	Short payment on account of Annual Regulatory Dues	3.65
16	57-20	Loss to the coporation due to non realization of profit form MCB Bank	1.007
17	58-20	Loss due to renting out of space at lesser rates	18.176
18	59-20	Non-recovery of compensation charges	0.289
19	61-20	Non-recovery of liquidated damages	0.311
20	62-20	Loss due to theft of cable and accessories	0.363
21	63-20	Loss of Rental income and non-forfeiture of security money	37.688
22	66-20	Non-recovery of pay in lieu of resignation notice	0.111
23	69-20	Non recovery of rent and forfeiture of security money	4.905
24	85-20	Irregular payment of arrears and Late Payment charges	1.825
25	88-20	Non-recovery of liquidated damages	0.189
26	140-20	Irregular Advance Payment	0.994
27	224-20	Non-recovery of standard rent from unauthorised occupants/retired officers	0.199
28	225-20	Non- auction of unserviceable stores	3.565
29	236-20	Non-Transfer of Sindh Sale Tax Collected from the contractors	0.312
Total			**266.7**

Sr No	**PDP No**	**Subject**	**Amount (Rs in million)**
7.	**SPECIAL COMMUNICATION ORGANIZATION**		
01	54-20	Un-justified payment of incentive to staff	0.268
02	73-20	Irregular payment in cash instead of through chaques	1.497
03	237-20	Unauthorized payment on account of consultancy	1.500

04	242-20	Misclassified Expenditure for purchase of physical assets	15.297
05	245-20	Irregular expenditure on Project titled supply/ installation / commissioning of 2G/3G/4G core network, Transmission Network and Access Network	1,690.00
06	249-20	Non issuance of claim for recovery of damage charges from FWO & NHA	0
07	250-20	Unauthorized utilization of spectrum without renewal of license by SCO	0
08	253-20	Unjustified expenditure incurred on appointment of contract staff	14.768
09	256-20	Non-payment of Biometric Verification Charges to NADRA and Anticipated loss due to surcharge	16.187
10	258-20	Unlawful-payment of pay & allowance for the project titled Replacement of GSM Network of AJ&K (Project No III/2012-13)	24.603
11	262-20	Wasteful expenditure on payment to consultant for establishment of SCO Technical Training Institute Gilgit	0.960
12	264-20	Anticipated Loss of revenue due to non-achievement of planned objectives	162.000
13	265-20	Irregular expenditure on telephone connections/data services from PTCL	0.482
14	267-20	Non-accountal of Pay and allowances of Project Employee	0.360
15	269-20	Non-compliance of Prevention of Electronic Crimes Act (PECA)-2016	0
16	272-20	Irregular/unlawful payment to contractor without tender	11.979
17	273-20	Receipt of Revenue from PTCL and expected loss thereof due to defective agreement	12.570
18	274-20	Irregular expenditure of Building Works	34.803
19	276-20	Non submission/furnishing copy of contracts to NAB	3,676.185

20	277-20	Non-purchase of Land	0
21	278-20	Overstatement of revenue due to non-payment of CPP charges	41.135
22	279-20	Irregular expenditure on up-gradation of the post of Drivers	7.987
23	280-20	Unauthorized expenditure for purchase of stores without adopting proper procedure	23.300
24	282-20	Unauthorized payment of site development & supply/installation of self supported towers	406.000
25	285-20	Un-justified creation of liability and payment to contractors after close of project	39.186
26	287-20	Expected loss of revenue due to non installation of DSL connections against pending demand	47.376
27	288-20	Un-authorized business with international operators with negative balances and non recovery thereof	1.699
28	290-20	Anticipated loss of revenue due to non-achievement of planned objectives	1,495.564
29	291-20	Incompatible deposit of advance Income Tax & W.H.T	207.798
30	292-20	Unauthorized payment on account of consultancy charges	1.494
31	293-20	Non submission/furnishing copy of contracts to NAB	3,676.185
32	296-20	Irregular payment of port clearance charges	131.06
33	300-20	Non-purchase of Land	4.000
34	302-20	Unauthorized expenditure incurred on Civil Works	85.656
35	303-20	Non-payment of training cost	44.817
Total			**11,876.716**

Sr No	PDP No	Subject	Amount (Rs in million)
8.	**TELECOM FOUNDATION**		
01	90-20	Non-implementation Board of Governors Decision	0
02	92-20	Delay in completion of projects	11.161
03	94-20	Non-achievement of business targets by sub offices	350.168
04	95-20	Non-compliance of Charitable Act and unlawful payment	1.412
05	100-20	Non-preparation of profit oriented business plan for M/s. TF Pipes and accumulated loss	45.594
06	103-20	Heavy loss in its operational activities by M/s TF	188.055
07	104-20	Loss due to ineffective school management	28.000
08	112-20	Non-implementation of status of Public Sector Company and non-appointment of independent Director in Pak Datacom	0
09	114-20	Non - recovery from users of pool vehicles for private use	0.966
10	116-20	Unauthorized payment of end service benefits to terminated officers involved in corruption	1.018
11	119-20	Unauthorized grant of Acting Charge and inadmissible payment of allowances and POL	0.762
12	121-20	Non-maintenance of log books of vehicles and irregular expenditure on POL	0.540
13	122-20	Unauthorized payment of conveyance allowance	0.246
14	156-20	Irregular amendment in leave rules without the approval of BOG	0
15	184-20	Non-approval of advances policy from BOG and unsecured advance	11.779

16	304-20	Non-achievement of business targets by sub offices	30.794
17	306-20	Disinvestment from TF Pipes and Pakistan Communication Industries (PCI)	137.00
18	307-20	Blockage of Funds	8.758
19	308-20	Conflict of interest resulting in loss to TF	91.258
20	310-20	Bogus payment against facilitation charges	0.857
21	311-20	Poor performance of departments of Telecom Foundation resulting in Loss	62.362
22	312-20	Non-actualization of agreement and expected loss	206.058
23	313-20	Increase in impairment losses against trade debts of TF Subsidiary	53.459
24	315-20	Increase in impairment losses against unbilled revenue of TF Subsidiary	31.442
25	317-20	Non-compliance of charitable act resulting in non-initiation of welfare schemes	0
26	319-20	Non-Generation of Internal Audit Reports and in-effective role & Non-existence of Internal Audit Wing	0
27	320-20	Non-achievement of business targets by sub offices	0
28	321-20	Non-adherence to the IFRS-15 and IFRS-9	0
29	323-20	Non-rationalization of human & financial resources resulting in loss due to ineffective school management	34.038
30	324-20	Non-recovery of outstanding Receivables and creation of heavy provisions @ 85%	9.267
31	325-20	Non-receipt of security /retention money from clients and creation of heavy provisions @ 61%	28.209

32	328-20	Unlawful payment of Headquarters & Conveyance Allowances at enhanced rates	2.665
33	330-20	Unauthorized payment of monetization & orderly allowances	0.910
34	331-20	Delay in completion of NTC projects resulting in loss	0.792
35	332-20	Non-completion of work resulting in Loss	1.049
36	333-20	Unjustified / Unlawful payment of Special Increments to TF employees	0.773
37	334-20	Delay in completion of projects and implicit LD	0.045
38	335-20	Delay in completion of NTC projects and implicit LD	0.248
39	336-20	Non-completion of work and imposition of LD	0.219
40	337-20	Non-completion of project at PAF Base Rafiqui Shorkot	0
41	339-20	Irregular procurement of stores without open competitive bidding	0.597
42	342-20	Ineffective utilization of funds resulting in excess of approved budget	6.581
Total			**1,347.082**

Sr No	PDP No	Subject	Amount (Rs in million)
9.	**UNIVERSAL SERVICE FUND (USF) AND COMPANY**		
01	44-20	Unlawful award of project without obtaining insurance documents	1,160.928
02	50-20	Irregular expenditure without open tendering	2.233
03	51-20	Unlawful payment of pay & Allowances from Company Fund	9.746
Total			**1,172.907**