AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ORGANIZATIONS
(TELECOMMUNICATION SECTOR)
AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

PREFACE

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

The report is based on audit of the accounts of Public Sector Organizations (Telecommunication Sector) for the FY 2022-23. Directorate General of Audit, Postal and Telecommunication Services (P&TS), Lahore conducted audit during Audit Year 2023-24 on a test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-A of the Audit Report. The audit observations listed in Annex-A shall be pursued with the Principal Accounting Officers at the DAC level and in all cases, where the Principal Accounting Officers do not initiate appropriate actions, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Impact Audit–a new concept, has been introduced and made part of this report at Chapter-10. It is an attempt to evaluate the impacts of the project on the end-users and identify those risks which are hindering the organization from achieving its intended objectives.

The audit findings indicate the need for adherence to the regularity framework, besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. The Audit Report has been finalized in the light of discussions in the DAC meetings and written responses of the organizations.

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

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

-Sd-

Islamabad — (**Muhammad Ajmal Gondal)**

Dated: 19th February, 2024 — **Auditor-General of Pakistan**

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Plan
AIP	Administrative Incentive Pricing
ALF	Annual License Fee
ARDs	Annual Regulatory Dues
AR	Audit Report
ARFS	Annual Radio Frequency Spectrum Fee
BoQs	Bill of Quantities
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMA	Controller Military Accounts
CMO	Cellular Mobile Operators
CPEC	China Pakistan Economic Corridor
CPF	Contributory Provident Fund
DAC	Departmental Accounts Committee
DDWP	Departmental Development Working Party
DSL	Digital Subscriber Line
ECAC	Electronic Certification Accreditation Council
EAD	Economic Affairs Division
ED	Executive Director
ESR	Employee Service Regulations
ETO	Electronic Transaction Ordinance
FAB	Frequency Allocation Board
FAP	Foreign Aided Project
FBA&AP	Financial Budgeting Accounting & Audit Procedure
FCF	Federal Consolidated Fund
FED	Federal Excise Duty
FFI	Fact Finding Inquiry
FLL	Fixed Local Loop
FTTH	Fiber to the Home
3G	Third Generation
4G	Fourth Generation
GB	Gilgit Baltistan

GFR	General Financial Rules
GHQ	General Headquarters
GoP	Government of Pakistan
HRA	House Rent Allowance
ICT	Information Communication Technology
IT	Information Technology
KKH	Karakoram Highway
KPIs	Key Performance Indicators
KP	Khyber Pakhtunkhwa
LC	Letter of Credit
LD	Liquidated Damages
LDI	Long Distance International
LI	Lawful Interception
LL	Local Loop
LoI	Letter of Intent
LTE	Long Term Evolution
MB	Measurement Book
MES	Military Engineering Service
MO	Military Operations
MoITT	Ministry of Information Technology and Telecommunication
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
MoU	Memorandum of Understanding
MP	Management Position
NGMS	Next Generation Mobile Service
NIDA	National Income Daily Account
NHA	National Highway Authority
NICs	National Incubation Centers
NOC	No Objection Certificate
NTC	National Telecommunication Corporation
NRTC	National Radio Telecommunication Corporation
OEM	Original Equipment Manufacturer
OFC	Optical Fibre Cable

OSP	Outside plant
OTN	Optical Transport Network
PAO	Principal Accounting Officer
PAC	Provisional Acceptance Certificate
PAC	Public Accounts Committee
PCC	Provisional Capital Cost
PEDO	Pakhtunkhwa Energy Development Organization
PEMRA	Pakistan Electronic Media Regulatory Authority
PKI	Public Key Infrastructure
PPRA	Public Procurement Regulatory Authority
PPP	Public Private Partnership
P3A	Public Private Partnership Authority
PMB	Project Management Board
PSDP	Public Sector Development Project
PST	Punjab Sales Tax
PSTN	Public Switched Telephone Network
PTA	Pakistan Telecommunication Authority
PTRA	Pakistan Telecommunication Re-Organization Act
QoS	Quality of Service
R&D	Research and Development
ROW	Right of Way
SCO	Special Communications Organization
SDR	Software Defined Radios
SECP	Security & Exchange Commission of Pakistan
SIM	Subscriber Identity Module
SLA	Service Level Agreement
SoPs	Standing Operating Procedure
TIP	Telephone Industries of Pakistan
TWA	Transworld Associates
USF	Universal Service Fund
VIM	Virtual Inter-connect Media
VPN	Virtual Private Network
WLL	Wireless Local Loop
WMS	Web Monitoring Solution

EXECUTIVE SUMMARY

The Audit Report presents results based on audit of the accounts for the financial year (FY) 2022-23 of the Public Sector Organizations (Telecommunication Sector) which include Pakistan Telecommunication Authority (PTA), Frequency Allocation Board (FAB), National Radio and Telecommunication Corporation (NRTC), Telephone Industries of Pakistan (TIP), Electronic Certification Accreditation Council (ECAC), Ignite, National Technology Fund & Company, National Telecommunication Corporation (NTC), Special Communications Organization (SCO), Telecom Foundation (TF) and Universal Service Fund & Company (USF Co).

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

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

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

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

NRTC, PTA, Ignite and USF provided financial statements (FS); however, NTC, TF, TIP and FAB did not furnish their FS items for the FY 2022-23 till finalization of this report; therefore, audit could not comment on the budget and accounts of these entities. Additionally, an impact audit of USF Project titled “Broadband Sustainable Development Program-Khyber Lot” was also conducted during FY 2022-23 which has been made a part of this report at Chapter-10.

Despite directions from the honorable Supreme Court of Pakistan, PAC and Speaking Orders issued by the Auditor-General of Pakistan, PTCL did not produce books of accounts for audit.

Directorate General Audit had an overall budget allocation of Rs 182.920 million for the FY 2023-24 and a human resource of 69 officers & allied staff. Total man-days available to this office were 17250, out of which 3358 man-days were utilized for the audit of entities relating to telecom sector.

Scope of Audit

This office is mandated to conduct audit of forty-six (46) formations working under the Cabinet Division, Ministry of Defence Production and Ministry of Information Technology and Telecommunication. These forty-six (46) formations incurred an expenditure of Rs 67,979.990 million and collected receipts of Rs 146,659.280 million during FY 2022-23.

Audit coverage relating to expenditure for the current Audit Year comprised Rs 33,934.618 million against twenty (20) formations of 03 PAOs/ Ministries for FY 2022-23. In terms of percentage, the audit coverage for expenditure was 50% of auditable expenditure.

Audit coverage relating to receipts for current audit year comprised Rs 43,289.075 million against twenty (20) formations of 03 PAOs/Ministries for the FY 2022-23. In terms of percentage, the audit coverage for receipt was 30% of auditable receipts.

Recoveries at the instance of audit

As a result of audit, recovery of Rs 8,205.618 million was pointed out in this report. Recovery effected from January to December 2023 was Rs1,783.353 million which included recovery pointed out during current as well as previous years.

Audit Methodology

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

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

Upon completion of the risk assessment, audit programs with specific procedures were formulated and integrated into AMIS. Subsequently, these programs were assigned to audit teams for implementation during the field audit. This streamlined approach ensured a systematic and efficient audit process, enhancing the overall effectiveness of auditing activities.

Audit Impact

On the recommendations of Audit, telecommunication entities have taken the following corrective measures:

i. NRTC and TIP management established the Procurement Fora for its procurement related issues.
ii. NRTC committed to add Price Variation Clause in its upcoming contracts to safeguard the company from expected losses.
iii. PTA and FAB established its online application portal for finalization of allocation and site clearance of various telecom operators.
iv. The telecommunication entities improved the mechanism for timely recovery of receivables from designated customers, telecom operators and others.
v. The telecommunication entities agreed to strengthen the internal controls and internal audit wings of their organizations.
vi. The telecommunication entities yielded to form their own SOPs for Civil Work in the light of PWD/MES Schedule rates.
vii. The ECAC management initiated the PKI Project after lapse of five years on the pointation of audit.

Key Audit Findings of the Report

The Audit Report comprises sixty-three (63) Audit Paras highlighting serious irregularities as under:

i. In nine (09) cases, HR related irregularities amounting to Rs 202.487 million were observed[1].
ii. In nine (09) cases, violation of PPRA Rules amounting to Rs 2,521.659 million were noticed[2].
iii. In three (03) cases, issues of treasury single account and accrued markup on bank loan amounting to Rs 16,520.070 million were highlighted[3].
iv. In three (03) cases, issues of value for money and service delivery amounting to Rs 4,039.077 million were revealed[4].

[1] 1.4.1 to 1.4.3,2.4.1,7.4.1 & 7.4.2, 8.4.1 & 8.4.2, 9.4.1

[2] 3.4.1, 4.4.1 to 4.4.2, 6.4.1, 7.4.3 to 7.4.5, 8.4.3 & 8.4.4

[3] 1.4.4, 1.4.5, 4.4.3

[4] 3.5.1, 6.5.1 & 6.5.2, 9.5.1 to 9.5.3

v. In thirty-nine (39) cases, outstanding receivables and other irregularities amounting to Rs 47,538.963 million were noticed[5].

Recommendations

The telecommunication entities should:

i) Update and strengthen their internal controls and ensure compliance with rules and regulations relating to HR related matters;

ii) Ensure adherence to Public Procurement Regulatory Authority (PPRA) Rules, 2004 during procurement of goods and services in order to achieve economy and transparency in public procurement;

iii) Comply with standing instructions regarding the closure of bank accounts and shifting to Treasury Single Account;

iv) Strengthen planning and financial management to make prudent decisions during execution of projects;

v) Further improve the receivable and contract management.

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5 1.5.1 to 1.5.7, 2.5.1 to 2.5.3, 3.6.1 to 3.6.7, 5.4.1 & 5.4.2,6.6.1 to 6.6.2, 7.5.1 to 7.5.6, 8.5.1 to 8.5.10, 9.6.1 to 9.6.2

SECTORAL ANALYSIS

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

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

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

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

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

National Telecommunication Corporation (NTC) and Special Communications Organization (SCO) are two public sector organizations that come under the category of service providers in the telecommunication sector. NTC is responsible for telecommunication needs of the public sector organizations across the country, whereas SCO is responsible for providing telecom services in Gilgit-Baltistan and Azad Jammu and Kashmir. Besides, Universal Service Fund (USF) and Ignite are two public limited Companies which have added beauty to the functions of telecom sector. USF Company is responsible for infrastructure development of telecommunication services in the un-served and under-served areas of the country, whereas the Ignite Company sponsors Research and Development program. For promoting research and development activities, money of the R & D Fund kept in the MoITT is utilized through Ignite Company. In addition to sponsoring research and development, the Ignite Company has also maintained seven National Incubation Centres (NICs) across the country, which facilitate business start-ups and entrepreneurships.

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

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

Pakistan's commitment to keep pace with the regional and global powers in the digital world and to address the digital divide in the country is evident from the spending it makes thereon. The federal government spent Rs 64,874.574 million as current and development expenditure during FY 2022-23 on the growth and development of the telecom sector, which is 20% higher than the expenditure incurred, whereas, the revenue/ receipts remained almost the same during the corresponding period as shown below:

(Rs in Million)

S. No	Name of entity	FY 2021-22		FY 2022-23		Percentage increase/decrease	
		Expenditure	Revenue/ Receipt	Expenditure	Revenue/ Receipt	Exp	Receipt
1	PTA	2,841.473	104,657.000	3,449.650	93,105.849	17.63	(12.41)
2	NTC	2,663.783	6,673.886	11,746.560	11,709.100	77.32	43.00
3	FAB	876.959	0	1,107.075	0	20.79	-
4	SCO	7,412.121	5,779.928	8,001.073	6,130.370	7.36	5.72

5	USF	21,199.879	7,821.619	18,555.023	8,398.248	(14.25)	6.87
6	Ignite	1,428.000	2,612.318	1,483.000	2,845.380	3.71	8.19
7	NRTC	16,788.257	20,288.435	20,304.545	21,955.723	17.32	7.59
8	TIP	644.478	1.123	3,210.089	2,514.612	79.92	99.96
9	ECAC	198.204	0	122.978	0	(61.17)	-
		54,053.154	**147,834.309**	**67,979.993**	**146,659.282**	**20.49**	**(0.80)**

Source: PTA's Annual Report 2022

Seeing from holistic perspective, digital connectivity is reshaping the very fabric of societies and economies worldwide. Individuals, businesses, and industries alike are exploiting the immense opportunities emerging from enhanced use of ICTs. Being the telecom sector regulator, PTA plays a pivotal role in creating an enabling environment for expansion of advanced networks, and improving the availability of and access to cutting edge ICT technologies in association with the telecom industry and allied stakeholders. This synergy is aimed towards the growth of telecom industry amid tough economic conditions and inflationary pressures. It is because of the supportive regulatory environment in Pakistan that 90% of the country's population enjoys mobile coverage and over 194 million SIMs/subscribers are biometrically verified. Broadband penetration has touched upon 56% and has created a pool of 124 million broadband subscribers as on September, 2022, whereas the broadband connections went up to 128 million with a percentage increase of 3% up to June, 2023. Furthermore, 3G and 4G mobile signal coverage is available to more than 78% of the populace.[6] The major service providers in the market are Jazz, Telenor, and Zong with Jazz holding the largest market share of 37.4%, followed by Telenor with market share of 29.3% and Zong with market share of 26.2%.

Pakistan pursues the global trend in the field of information technology. As a result, the economy is moving towards digitization with introduction of digital services including e-commerce, e-customer care, e-banking, mobile banking, and other ICT services. The penetration of digital technology has galvanized the people to have recourse to electronic means of communication. In this perspective, the telecom industry holds

[6]PTA's Annual Report 2022

substantial investment potential, with local industry investments of US$ 5,900 million, and FDI of US$ 1,500 million over the last five years (FY 2018-19 to FY 2022-23), as detail given below:

Telecom Investment					
					US$ (Million)
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**
FDI (inflow)	235.5	763.3	204.4	174.9	108.0
Telecom Investment	933.8	1320.2	1215.2	1712.7	681.7

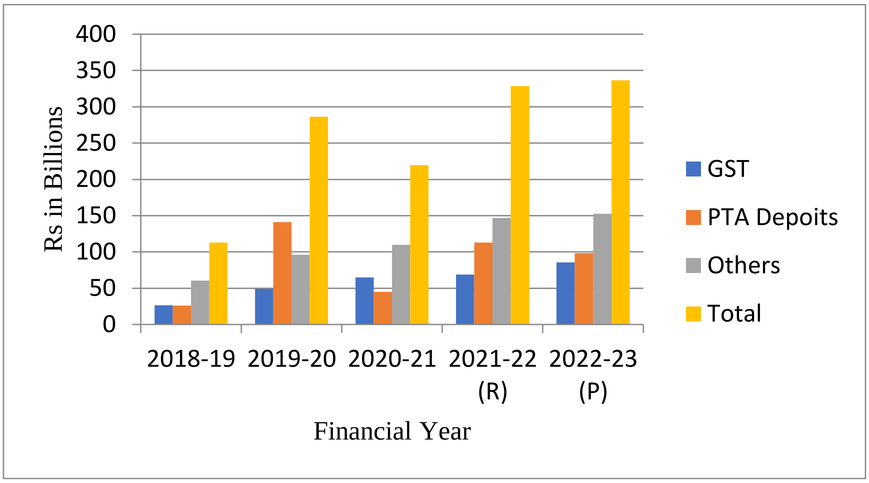
Source: State Bank of Pakistan (FDI Inflow) and PTA

Despite economic challenges such as higher business costs and inflationary pressures in FY 2022-23, the service providers of telecom sector showed resilience, expanded their services and generated telecom revenues to the tune of Rs. 8,310 million. With ongoing service expansion and expected economic recovery in the medium to long term, broadband penetration is expected to increase further in the coming years. Overall, the telecom sector emerged as a major player to the country's GDP by contributing Rs 1,284 billion during the last five years as detailed below, which includes contributions from various sources such as GST, PTA deposits, and other revenue streams.

Telecom Industry contribution to National Exchequer				
				(PKR Billion)
Period	**GST**	**PTA Deposits**	**Others**	**Total**
2018-19	26.6	26.0	60.3	112.8
2019-20	48.8	141.2	96.1	286.2
2020-21	64.7	44.8	110.0	219.6
2021-22 (R)	69.0	112.7	147	328.7
2022-2023 (P)	85.5	98.5	152.7	336.7
R=Revised, P=Provisional				

Source: Pakistan Telecommunication Authority

Telecom Industry contribution to National Exchequer



Source: Pakistan Telecommunication Authority

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

The expansion and increased use of broadband services in Pakistan has led to proliferation of the e-commerce market, which has registered impressive growth in the last few years. Businesses are quickly adapting to digital platforms to increase their outreach and augment their scales. Ecommerce DB – a subsidiary company of Statista – labeled Pakistan as the 37th largest market for e-commerce with revenue of US$ 5.9 billion, placing it ahead of Iran. The company reported Pakistan’s e-commerce market with an astounding growth of 45% during 2021, compared to worldwide growth rate of 15 percent[7].

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

PTA did not elucidate adequately the clauses of the licenses and the terms and conditions of the agreements executed with the telecom operators which led to extensive legal disputes and litigations. The prolonged legal battles ultimately resulted in delayed/non-recovery of dues from the telecom operators. PTA was obligated to conduct performance audits of the Quality of Service provided by licensees to ensure compliance with standards specified in licenses, regulations, and Key Performance Indicators (KPIs). Audit findings revealed instances where telecom operators provided degraded quality services, indicating a failure to meet the required standards. Despite the Telecommunication Policy of 2015, mandating the formulation of transparent and efficient regulatory frameworks, PTA and the Frequency Allocation Board (FAB) failed to develop and implement these frameworks, including those for Long Distance and International (LDI) licenses. The delay of eight years in this regard suggests a lapse in regulatory development and implementation.

Financial management in telecom entities was identified as weak. Violations of rules and regulations were observed in the payment of pay, allowances, and other benefits. The Public Procurement Regulatory Authority (PPRA) Rules were also violated in numerous cases, indicating a lack of adherence to established procurement procedures. Human Resource Management analysis revealed that personnel were appointed in violation of the entities' own rules and regulations, which suggests weak internal controls

[7]PTA's Annual Report 2022

and possible instances of favouritism in hiring practices. The internal audit wing's services were not adequately utilized, as internal audits were not conducted, and audit reports were not generated. In short, the telecom entities, particularly PTA, faced challenges in terms of legal clarity in agreements, quality of service issues, delayed regulatory framework development, weak financial management, and human resource management concerns. Addressing these issues would likely require improvements in internal controls, adherence to regulations, and timely execution of audits and regulatory frameworks.

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

CABINET DIVISION

CHAPTER-1

PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)

Chapter-1

Pakistan Telecommunication Authority

Cabinet Division

1.1 Introduction

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

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

B) Comments on Budget and Accounts

1.1.1 According to Auditor-General's office letter No.574/43-R&SD/SOP/2007Pt dated 01.12.2023, Pakistan Telecommunication Authority (PTA), being autonomous body of the Federal Government, while appointing the Chartered Accountant firm for annual audit of its financial statements, is required to obtain concurrence of the Auditor-General of Pakistan. However, PTA did not obtain the said concurrence from the office of the Auditor-General of Pakistan.

1.1.2 According to Note 2.5 to the Financial Statements, provisions are recognized in the statement of financial position when the Authority has a present legal or constructive obligation as a result of past events, it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of amount can be made. PTA pays pension, gratuity, accumulating compensated absences and post-retirement medical benefits to its employees as per approved policy. PTA has no present or past obligation to pay interest on these expenses. However, as per Note 5.3, PTA has recognized a provision of Rs 274.232 million as interest payable on these expenses in addition to the provision of their current service cost which has overstated its expenses.

1.1.3 According to Note 17.1 to the Financial Statements, the mark-up receivable on license renewal fee has increased from Rs 919.592 million (in 2022) to Rs 2,541.652 million (in 2023) with an increase of 176.4% which shows weak receivables management by PTA.

Table-I Audit Profile of PTA

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY-2022-23	Revenue / Receipts audited FY-2022-23
1	Formations	09	01	3,449.65	93,105.849
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	3,449.65	93,105.849
4	Foreign Aided Projects (FAP)	-	-	-	-

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 16,954.408 million were raised in this report which include recoveries amounting to Rs 615.595 million. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S.No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	**14,133.173**
A	HR/Employees related irregularities	61.781
B	Management of Accounts with Commercial Banks	14,063.304
4	Value for money and service delivery issues	-
5	Others	2,829.323
	Total	**16,954.408**

1.3 Status of Compliance with PAC Directives

PTA				Compliance		%age
S. No	Audit Year	Total Paras	Total Directives	Received	Not Received	
1	1997-98	7	7	7	0	100
2	1998-99	13	13	10	3	77
3	1999-00	6	6	6	0	100
4	2000-01	31	31	29	2	94
5	2001-02	9	9	5	4	56
6	2002-03	3	3	3	0	100
7	2003-04	8	8	5	3	63
8	2004-05	9	8	7	1	88
9	2005-06	10	10	7	3	70
10	2006-07	12	12	6	6	50
11	2007-08	12	12	10	2	83
12	2008-09	34	27	17	10	63
13	2009-10	26	14	4	10	29
14	2010-11	39	38	21	17	55
15	2011-12	35	2	0	2	0
16	SAR 2011-12	37	3	0	3	0
17	2012-13	39	2	0	2	0
18	SSRMR 2013-14	24	24	18	6	75
19	2014-15	29	15	7	8	47
20	2015-16	24	23	14	9	61
21	2016-17	27	20	17	3	85
22	2017-18	31	25	15	10	60
23	2018-19	14	8	2	6	25
24	2019-20	17	11	5	6	45

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

AUDIT PARAS

1.4 Irregularities

A. HR/Employees related irregularities

1.4.1 Irregular appointments and payment of pay & allowances – Rs 45.934 million

According to Regulation 14 of PTA Employees Service Regulations (ESR) 2008), "appointment on initial basis to all cadres and grades in the service shall be made by the Chairman on the basis of the recommendations of the Departmental Selection Committee to be constituted by the Chairman for the said purpose. Criteria, relevant / required qualifications, age, experience and other conditions / requirements for appointment to any post of the service shall be as laid down in Annex-B of the Regulations".

PTA HQ under the Cabinet Division, Islamabad made appointments in various cadres and incurred an expenditure of Rs 45,934,238 on the pay and allowances of the employees during FY 2022-23.

Audit examined the recruitment record of twenty-three (23) cases on a test check basis and found that:

i. The eligibility criteria mentioned in the advertisement and related to age, qualifications and experience were not compatible with the pre-requisites envisaged in the Annex-B of the Regulations.

ii. In addition, PTA management appointed two Assistant Directors and one IT Officer for which relevant posts were not available in the Annex-B of PTA Employees Service Regulations 2008.

Audit contends that due to weak internal control framework the PTA management did not adhere to the Service Regulations and made irregular appointments and incurred irregular expenditure.

Audit reported the matter to the management and PAO during November, 2023. It was replied that the criteria for advertisement of the positions was approved by the Chairman in exercise of power conferred in the PTRA, 1996 (Amended in 2006) and under relevant provisions of PTA ESR, 2008. The Chairman PTA was empowered to amend the criteria under the Service Regulations. It was further replied that available / vacant posts were utilized by virtue of its nomenclature and not by portfolios. Similarly, the posts of ITO and AD ICT were provided in Annex-B of the Regulations. The posts were advertised by specifying the job portfolio to attract the right pool of candidates to ensure the quality recruitment with the approval of Chairman.

The reply is not tenable. The Chairman PTA is empowered to make appointments under the criteria envisaged in Annex-B of ESR, 2008 which was violated. Further, the appointments were made against those posts which were not available in the attached Annex-B of the Regulations.

The matter was discussed in DAC meeting held on 20th December, 2023. The DAC directed PTA to get the relevant record in terms of quota etc. verified from audit. DAC further directed PTA to review the reported matter in depth and share the progress achieved with Audit within one month. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives / conduct of inquiry into the matter to fix responsibility.

(DP No.5 & 31)

1.4.2 Inadmissible payment on account of allowances, gratuity, Eid reward and proficiency incentive - Rs 11.030 million

According to Finance Division (Regulation Wing) letter No. F.3 (2)R-4/2011, dated 14th July, 2017, the Prime Minister has revised the Management Position (MP) Salary Package including House Rent, Utilities and other perquisites. Besides, gratuity shall be paid to MP scales holders of one month’s basic pay for each completed year of service. Further, Section 3(7) of PTRA, 1996 (amended in 2006), states that the Member of the Authority shall be paid salary and be entitled to the privileges of an officer in MP-II and the Chairman shall be paid salary and be entitled to the privileges of an officer in MP-I.

PTA HQ under the Cabinet Division, Islamabad made payment of Rs 11,029,852 to Ex-Chairman and Members of the Authority on account of house rent, utilities, medical, orderly allowance, gratuity, Eid reward and proficiency incentive during FY 2022-2023.

Audit observed that the house rent, utilities, medical, orderly allowances, Eid reward and proficiency incentive paid to Ex-Chairman and Members of the Authority were in excess of the admissible allowances of MP-I and MP-II pay package. The scrutiny of End of Service Benefits further revealed that payment of gratuity was made to Chairman and Members of the Authority on completion of their tenures on the basis of gross salary instead of basic pay. Detail is given below:

S. No.	**PDP No.**	**Description**	**Amount (Rs)**
1.	07-24	Excess payment on account of allowances	3,371,665
2.	-do-	Excess payment on account of gratuity	3,362,040
3.	09-24	Payment of Eid Reward	2,871,816
4.	-do-	Payment of Proficiency Incentive	1,424,331
		Total	**11,029,852**

Audit is of the view that inadmissible payment to MP-I & II scales employees reflect weakness of the financial discipline and internal control framework.

Audit reported the matter to the management and PAO during November, 2023. It was replied that salary, house rent, utilities and other perquisites paid to Authority Members including Ex-Chairman during FY 2022-23 were in accordance with committee report regarding pay fixation of PTA Chairman / Members. It is pertinent to consider that the committee report was relying upon letter of Cabinet Division, which included clarification of Members and Chairman’s salary components and other emoluments. Further, welfare schemes, End of Service benefits of

Members of Authority are considered according to clarification and letter of Ministry of Finance dated 17.01.2017 and 28.07.2020 wherein it has been deliberated and clarified that such benefits will be according to PTA's ESR. Gratuity as provided in PESR is one month salary for each completed year, accordingly, the same was paid to all retiring members upon completion of their period.

The reply is not tenable. The Ex-Chairman and Members of the Authority were entitled to the salary package introduced for MP-I & MP-II scales holders as notified by the Federal Government in 2017. The PESR, as referred to in the reply, is for PTA Employees rather than the Chairman and Members of Authority. Moreover, the subject matter has already been reflected in the previous Audit Report and has been referred to PAC for decision.

The matter was discussed in DAC meeting held on 20th December, 2023. The DAC constituted a committee to review the case holistically and recommend way forward, within one month. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives / recovery of inadmissible excess payments.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2008-09, 2010-11, 2021-22 & 2022-23 vide Para(s) number 1.8, 1.26, 1.5.5 & 1.5.2 having financial impact of Rs 23.379 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 07& 09)

1.4.3 Irregular appointment of Director Finance and expenditure - Rs 4.817 million

According to advertisement dated 31.03.2019 floated for the post of Director (Finance) and Annex-B of PTA Employees Service Regulations (ESR), 2008, at least one of the qualifications with minimum of ten (10) years post qualifications experience of managing and attaining all aspects of Accounting and Finance System is required. Regulation 92 *ibid* further states that a resignation shall be deemed to have been withdrawn, if it is withdrawn by an employee before its acceptance by the Chairman. A resignation withdrawn after its acceptance by the Chairman but before its becoming effective by relieving the employee shall be decided by the Chairman to treat the resignation as withdrawn or to pass orders of his relieving from the Service by giving effect to the resignation.

PTA HQ, under the Cabinet Division, Islamabad received thirty-five (35) CVs/applications against the advertised position and constituted a shortlisting committee accordingly. The committee short-listed nine (09) candidates as eligible for interview and selected Mr. Ubaid Tayyab as Director Finance, PTA. An expenditure of Rs.4.817 million was incurred on his pay and allowances since his appointment.

Audit observed that Mr. Ubaid Tayyab was shortlisted and selected for the post of Director (Finance) for three (3) years on contract basis despite the fact that his relevant information of domicile, province and qualifications/attested documents were missing as per shortlisting proforma. Further, the selected candidate was awarded experience marks without provision of ten (10) years relevant post qualifications experience certificate. Audit further observed that the incumbent joined PTA on 15.07.2019. On expiry of service contract on 14.07.2022, he was asked to fill performance appraisal report for contract renewal but he informed the PTA management that he was not willing to continue his service in PTA; accordingly, his service contract was terminated on 07.07.2022. PTA reinstated the incumbent and extended his service contract on 14.07.2022 and regularized his break in service retrospectively in September, 2022 in violation of its own regulations.

Audit holds that irregular appointment against the post of Director Finance and subsequent reinstatement and extension in service contract of the incumbent in violation of PTA Service Regulations reflect weakness of the internal control framework, which must have endurable effects on the financial management of PTA.

Audit reported the matter to the management and PAO during

November, 2023. It was replied that hiring of the officer was made in accordance with the relevant provision of PTA ESR, 2008. The advertisement was floated in newspaper for recruitment for the position of Director (Finance) on merit basis; therefore, the provision of domicile was not compulsory at the time of joining PTA. However, all relevant documents and other credentials were provided by the officer. With regard to resignation and its withdrawal under regulation 92 of PTA ESR, 2008, the officer did not resign and expressed his intention of non-renewal of his service contract, which was, later on, withdrawn and requested for extension in his contract.

The reply is not tenable. The incumbent benefitted unduly at each step during the hiring process. The ESR 2008 and advertisement provided for appointment of the Director Finance on the basis of quota which was overlooked by the management during shortlisting. He resigned willingly from his service as is evident from the noting file and the notification of de-hiring of services issued by PTA but, instead of fresh appointment, he was reinstated retrospectively and his service contract was extended in violation of the above stated rules.

The matter was discussed in DAC meeting held on 20th December, 2023. The DAC directed PTA to get the record verified from Audit immediately regarding academic qualification, experience, domicile, quota, resignation of the officer and notification of PTA to this effect. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 08)

B. Management of Accounts with Commercial Banks

1.4.4 Non-transfer of balances to Central Account-1 after adoption of TSA - Rs 13,992.738 million

According to Finance Division (Budget Wing) letter No. 2(5)/S.O(TSA)/2020/388 dated 16.07.2021 and Para 2 of Special Assignment Account Procedure, 2021, the Cash Management and Treasury

Single Account Rules, 2020 are in force since 24.07.2020 with the approval of the Federal Government. Further, Finance Division (Budget Wing) letter No.1(1)S.O(TSA)/2020/47 dated 31.01.2023 states that under Section 30 of the Public Financial Management (PFM) Act, the scope of the TSA system is hereby extended to all Regulatory Authorities including Pakistan Telecommunication Authority.

The Treasury Single Account system requires closure of existing bank accounts maintained by the Ministries, Divisions, Attached Departments etc. and transfer of their balances to Central Account No.1 (Non-Food) maintained in the State Bank of Pakistan. The new cash management regime also requires organizations/authorities to re-align their existing financial and banking arrangements with the approved legal framework provided under the Constitution of Islamic Republic of Pakistan, 1973 and the Public Finance Management Act, 2019.

Audit examined the financial management and banking arrangements of PTA HQ under the Cabinet Division, Islamabad and found that PTA had neither closed its commercial bank accounts nor transferred the balances to the Central Account No.1 of the State Bank of Pakistan as reflected in the table below. Audit revealed that PTA did not, by and large, switch over to the newly introduced financial management regime of Treasury Single Account.

S. No	Name of Banks	Account No.	Account title	Amount (Rs)
01	NBP Jinnah Avenue Branch Islamabad	3000942222	PTA collection Account	4,820,875,898
02	-do-	3000942231	AJK De-Regulation A/c	8,061,798,949
03	-do-	3000942311	AJK/GB USF A/c	1,110,063,120
Total				**13,992,737,967**

Audit reported the matter to the management and PAO during November, 2023. It was replied that Treasury Single Account system for regulatory bodies is different as compared to Ministries and allied departments in the first phase. As per information received from Finance

Division, Treasury Single Account system for regulatory bodies involve sweeping arrangements, in which no action on the part of account holding organization i.e., PTA is required.

The reply is not satisfactory as PTA neither adopted TSA nor switched over to the sweeping arrangements as required by the Finance Division.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC directed PTA to refer the matter to Finance Division through Cabinet Division in the light of Audit Para for clarification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 01)

1.4.5 Unlawful retention of profit on CPF - Rs 70.566 million

According to Regulation 200 (6) of PTA Employees Service Regulations (ESR) 2004, "CPF shall be applicable w.e.f 1.7.2004. It will be at the rate of 5% of running basic pay from the employee. Equal amount shall be contributed by PTA, which will be payable to the employee at the time of retirement / repatriation / leaving the job along with profit / mark up earned on it. Regulation 103 *ibid* further states that after initial appointment, an employee shall be liable to contribute on monthly basis towards the 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. Moreover, PTRA, 1996 has no provision for investment.

PTA HQ under the Cabinet Division, Islamabad kept the Contributory Provident Fund (CPF) in a profit bearing account NIDA No.18-4 at NBP and earned accumulated profit of Rs 70,565,914 during FY 2022-23.

Audit observed that the PESR, 2004 provided for the disbursement of profit on CPF to the employees at the time of retirement, whereas the

PESR, 2008 were silent on the profit disbursements. Audit revealed that PTA neither distributed the profit earned on CPF among the employees as per PESR, 2004 nor surrendered to Public Account.

Audit reported the matter to the management and PAO during November, 2023. It was replied that profit on CPF account was considered as other income of PTA. Income being part of P&L account, duly accounted for in reaching surplus of funds for any particular year. All surplus for any year as per Financial Statements of PTA are surrendered to FCF.

The reply is not tenable as the profit accumulated on CPF cannot be transferred to FCF without devised mechanism. Further, amount of CPF was a part of the Trust Fund and interest thereon required to be treated separately. Since the CPF amount remained in PTA account for more than three years, therefore, it was required to be surrendered to Public Account.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC granted six months' time to PTA to streamline the accounting treatment / mechanism of CP Fund profit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2017-18 vide Para(s) number 1.4 having financial impact of Rs 43.107 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 44)

1.5 Others

1.5.1 Short deposit of receipts into Federal Consolidated Fund - Rs 1,662.803 million

According to Section 49(4) of Income Tax Ordinance 2001, amended through Finance Act 2014, the income from sale of spectrum licenses by PTA on behalf of the Federal Government after the first day of

March, 2014 shall be treated as income of the Federal Government and not of the Pakistan Telecommunication Authority.

PTA HQ under the Cabinet Division, Islamabad collected a revenue of Rs. 37,029,615,491 from Cellular Mobile Operators on account of renewal of license fee during FY 2022-2023 and placed it in its Collection Account No.3000942222.

Audit observed that PTA deposited Rs 35,366,812,145 instead of the total collected amount into the Federal Consolidated Fund, which resulted in short deposit of Rs 1,662,803,346 as detailed below:

S. No	**Particulars**	**Date of Receipt**	**Amount Received (Rs)**	**Amount Deposited (Rs)**	**Short Deposit (Rs)**
01	M/s Zong 3rd instalment	14.10.22	11,429,138,679	10,005,408,515	1,423,730,164
02	M/s Jazz 4th instalment	19.01.23	11,093,255,224	10,962,390,556	130,864,668
03	M/s Telenor 4thinstalment	12.05.23	14,507,221,588	14,399,013,074	108,208,514
		Total	**37,029,615,491**	**35,366,812,145**	**1,662,803,346**

Audit holds that due to weak financial discipline PTA short-deposited the receipts accrued on account of license renewal fee into FCF.

Audit reported the matter to the management and PAO during November, 2023. It was replied that the amount received from Cellular Mobile Operators (CMOs) on account of mark-up including instalment proceeds during FY 2022-23 was accrued in previous FY 2021-22. Resultantly, the accrued amount became part of Surplus for FY 2021-22 and was accordingly transferred to FCF. The remaining amount out of related instalment proceeds in FY 2022-23 had accordingly been transferred to FCF; thereby making full deposit of the proceeds in FCF.

The reply is not tenable. The amount received from CMOs was not income of PTA and was required to be transferred in full as received, therefore, the question of booking accrual did not arise.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC directed PTA to get the record verified from Audit which inter-alia includes financial statements for FY 2021-22 and 2022-23 along with deposit Challans of FCF. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

<u>Note</u>: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2014-15, 2015-16, 2017-18, 2018-19, 2022-23 and MFDAC Report(s) for Audit Year(s) 2021-22 vide Para(s) number 1.10, 1.41, 1.5.1, 1.6.1, 1.6.2 & 1.16 having financial impact of Rs 22,464.092 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 02)

1.5.2 Non-recovery of outstanding dues against telecom operators – Rs 389.219 million

According to License condition No. 4.1.2.2, the licensee shall pay a Universal Service Fund (USF) and R&D contributions at the rate of 1.5% & 0.5% of the Licensee's Annual Gross Revenue from Licensed Services for the relevant financial year, minus inter-operator costs and related PTA/ FAB mandated payments. License condition No. 4.1.2 & 4.3.1 further states that the licensee shall pay the Annual License Fee (ALF) to the Authority in an amount equivalent to 0.5% of the Licensee's Annual Gross Revenue from Licensed Services within 120 days at the end of the financial year to which such fees or contributions relate. License condition 6.6 states that in addition to any other remedies available to the Authority, late payment of fees shall incur an additional fee calculated at the rate of 2% per month or as determined by the Authority from time to time on the outstanding amount for each month or part thereof from the due date until paid.

PTA HQ under the Cabinet Division, Islamabad reflected an amount of Rs 414,397,544 on account of USF, R&D, Annual License Fee (ALF), and Annual Radio Frequency Spectrum Fee (ARSF) in the receivable ledger including fine imposed upon three (3) mobile operators on account of quality of service during FY 2022-23.

Audit revealed that PTA recovered only Rs 25,178,838 on account of USF, R&D and ALF, leaving a balance of Rs 389,218,706 against the operators. Detail of outstanding dues is as under:

S.No.	PDP No.	Particulars	Amount (Rs)
01	22-24	USF and R&D Contributions	191,747,242
02	23-24	Annual Radio Frequency Spectrum Fee	125,912,804
03	25-24	Annual License Fee	40,808,660
04	29-24	Recovery Petitions against operators	7,750,000
05	06-24	Fine on account of Quality of Service	23,000,000
Total			**389,218,706**

Audit holds that due to weak receivables management, PTA did not realize the requisite contributions / amount within the given timelines.

Audit reported the matter to the management and PAO during November, 2023. It was replied that an amount of Rs 20.410 million on account of USF and R&D and Rs 4.769 million on account ALF has so far been recovered. Certain operators had deposited the amount directly to MoITT, however, intimation of recovery from MoITT was awaited. It was further replied that upon issuance of show cause notices and enforcement orders by the Authority, the operators obtained stay orders from Islamabad and Sindh High Courts. However, PTA is pursuing the court cases vigorously. Regarding recovery petitions the DROs referred back the matter to Authority and appeals of the operators are pending before the Authority.

The reply is not tenable as an amount of Rs389.219 million is still outstanding against the operators.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC directed PTA to expedite recovery process of balance amount and pursue the cases in the relevant courts with all facts and data. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 6,22,23,25 & 29)

1.5.3 Irregular grant of LDI Licenses and non-deposit of receipts into FCF – Rs 300.825 million

According to Section 8 (1) of PTRA, 1996 (Amended 2006), the Federal Government may, as and when it considers necessary, issues policy directives to the Authority, not inconsistent with the provisions of the Act, on the matters relating to telecommunication policy and the Authority shall comply with such directives. Further, Rule 6.1 of De-Regulation Policy, 2003 and Rule 5.2.7 Telecommunication Policy, 2015 requires that PTA shall prepare the requisite applications, license templates, information package and other necessary measures with the approval of Federal Government to facilitate the licensing process. Moreover, Section 12(3) of PTRA Act, 1996 (Amended 2006), requires that any surplus of receipts over the actual expenditure in a year shall be remitted to the Federal Consolidated Fund.

PTA HQ under Cabinet Division, Islamabad issued three (03) LDI licenses @ US$ 500,000 each during FYs 2022-23 &2023-24**.**

Audit observed that the licenses were issued without receipt of any Policy Directives and approval of the Federal Government. Audit further observed that receipt on account of LDI licenses was not deposited into Federal Consolidated Fund (FCF). Detail is as under:

S.No	Company Name	License Type	Jurisdiction	Date of License Issued	Amount (Rs)
01	Zeta Technologies	LDI	Pakistan	05.01.2023	107,975,000
02	HG Telecommunication	LDI	Pakistan	02.02.2023	96,425,000
03	Dynasty Telecom	LDI	Pakistan	17.08.2023	96,425,000
				TOTAL	**300,825,000**

Audit holds that PTA did not adhere to the conditions of PTRA, 1996 and issued LDI licenses without any approved licensing template, approval of the Federal Government.

Audit reported the matter to the management and PAO during November, 2023. It was replied that De-Regulation Policy, 2003 was being continued through Telecommunication Policy, 2015 and entry to LDI market was unrestricted and open. MoITT vide its letter dated 10-06-2021 intimated that “TP 2015 and PTRA, 1996 (Amendment) Act, 2006 empowers PTA to conclude the grant of new LDI Licenses with enhanced terms and obligations and no specific requirement of Federal Government Policy directive under Section 8(2) of PTRA, 1996 deems necessary. Further, the revenue is recognized once licenses are issued upon successful compliance of all the requirements for obtaining a license and not only when initial fee is received.

The reply is not tenable. Section 8 (2) of PTRA clearly defines that Federal Government may issue policy directives on such matters. PTA has accrual-based accounting system where revenue is recognized on accrual basis, whereas in the reply PTA has mentioned that revenue is recognized when licenses are issued upon successful compliance of all requirements which is the requirement of a cash-based accounting system.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC constituted a two members Fact Finding Inquiry Committee to inquire the matter within 15 days. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 03 & 21)

1.5.4 Less realization of Annual Radio Frequency Spectrum Fee – Rs 226.376 million

According to clause 4 (2) of De-Regulation Policy for Telecom Sector issued by Ministry of IT & Telecom Division in July, 2003, entry to Local Loop market will be unrestricted and open. Any person who requests for a license, and meets the licensing requirements, will be eligible to get a license on payment of prescribed fee which will be set at the Pak Rupee equivalent of US$ 10,000 for a LL License.

PTA HQ under the Cabinet Division, Islamabad issued demand notices for payment of Annual Radio Frequency Spectrum Fee for WLL License / Services to different operators during FY 2022-23.

Audit observed that the operators deposited the requisite fee in Pak Rupee @ 58 per US$ instead of selling rate of the US dollars prevailing on the day preceding the date of payment, which resulted in less realization of Rs 226,376,395.

Audit contends that due to weak financial discipline the management received less amount on account ARFS Fee and caused a huge loss to the national exchequer.

Audit reported the matter to the management and PAO during November, 2023.It was replied that in compliance to PAC directives in previous Audit Paras, PTA issued demand notices to the operators in US dollars. However, operators deposited Pak Rupees denominated amount within stipulated time. PTA had already initiated enforcement actions against the operators as per Section 23 of the Act for recovery of the said amount. However, two operators have assailed PTA demand in the court of law and have obtained stay order.

The management accepted the Audit contention; however, the record did not show any strenuous efforts for recovery and pursuance of enforcement orders.

The matter was discussed in the DAC meeting held on 20th December, 2023. DAC directed PTA to pursue the case in the court of law. DAC further directed PTA to seek an opinion from Law & Justice Division in the matter through Cabinet Division. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2012-13, 2022-23 and MFDAC Reports for Audit Year(s) 2020-21, 2021-22 vide Para(s) number 1.14, 1.6.3, 1.1 & 1.3 having financial impact of Rs 960.078 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 04)

1.5.5 Irregular issuance of LDI License to M/s TWA - US$ 500,000 (Pak Rs 142.125 million)

Clause 3.3.1(a) of LDI license template provided for deposit of nine (9) Performance Bank Guarantees within one month by the licensee. According to PTA letter No. PTA/LIC-WrL/LDI/1352/2019 dated: 01.12.2023, M/s TWA was required to surrender its CLS license before awarding of LDI license. According to Section 4 (f) of PTRA 1996 (amended 2006), the Authority shall investigate and adjudicate on complaints and other claims made against licensees arising out of alleged contraventions of the provisions of this Act, the rules made and licenses issued there under and take action accordingly.

PTA under the Cabinet Division, Islamabad granted Long Distance International (LDI) license for Pakistan to M/s Transworld Associates (Pvt.) Ltd. (TWA) on 21.03.2023 (date of issuance of commencement certificate) subject to surrender of special license and submission of Initial License Fee (ILF) of US$ 500,000/- (Equivalent to Pak Rs 142,125,000) within one month with nine (9) Performance Bank Guarantees.

Audit examined the files of licensing and found that:

i. The Authority granted LDI license to M/s TWA despite the fact that M/s TWA neither deposited nine (9) Performance Bank Guarantees valuing US$ 10 million nor surrendered the Cable Landing Station (CLS) License on the date of commencement of LDI as required under the PTA's instructions stated above.

ii. M/s TWA had also signed interconnection & extension of connection services agreement with the proclaimed default M/s World Call Telecom.

Audit contends that PTA did not adhere to the conditions of PTRA, 1996 and granted LDI license to M/s TWA without deposit of bank guarantees and surrender of CLS.

Audit reported the matter to the management and PAO during November, 2023. It was replied that LDI license has not been signed and issued to TWA till date as it has only deposited ILF after the approval of Authority to grant LDI license. License shall only be signed and issued after fulfilment of nine (9) PBGs. Moreover, field inspection report also revealed that there was no telecommunication service between TWA / World Call FLL. More to this, Director Operations, World Call also confirmed that World Call FLL has no business / SLA with TWA.

The reply is not tenable. The record transpired that the LDI license was approved and signed by PTA without obtaining PBGs and surrendering of CLS license. Besides, M/s TWA had signed interconnection & extension of connection services agreement with M/s World Call vide undertaking dated: 06.10.2022.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC directed PTA to get the relevant documents verified from Audit within three months. No further progress was reported till finalization of this report.

Audit suggests that a fact-finding inquiry be conducted as to why the LDI license was signed and granted without fulfilment of codal formalities to an operator who had business connections with a defaulted company, besides compliance of the DAC directives.

(DP No. 42)

1.5.6 Irregular change and insertions of new clauses in LDI license – US$ 500,000 (Pak Rs 107.975 million)

According to Rule 5.2.3 of Telecommunication Policy 2015, the Federal Government in consultation with PTA will review the licensing policy framework, keeping in view the market state. Any proposed changes to the licensing regime will be made in consultation with the sector stakeholders and will be subject to approval by Federal Government. Rule 4.2.1 (b) of De-Regulation Policy, 2003 further states that the licensees will be permitted to lease infrastructure from PTCL or any other infrastructure owner on mutually agreed commercial terms, non-discriminatory to other licensees seeking the same facility. A long-term lease of 5 years or more will be acceptable in lieu of ownership.

PTA HQ under the Cabinet Division, Islamabad issued LDI license to M/s Zeta Technologies (Pvt.) Ltd. on 05.01.2023 wherein PTA had changed and included new clauses 3.2.6 to 3.2.8 in the LDI licenses under heading - Network Rollout Obligations.

Audit observed that PTA changed the template of the LDI license and included new clauses without the approval of the Federal Government as required under the Telecom Policy 2015.

Audit contends that, apart from soliciting the approval of the Federal Government, insertion of new clauses adversely impacts the business of Telecom Infrastructure Providers which is against the spirit of Section 5 (b) and 6 (a) of PTRA, 1996 dealing with enforcement, monitoring and protecting the rights of licensees.

Audit reported the matter to the management and PAO during November, 2023. It was replied that with the insertion of enhanced terms and obligations in LDI License template, the scope of LDI License did not change and the licensing regime remained intact. There was a demand to increase the percentage of fiber-to-the-tower/site (FTTT/FTTS) to promote rapid modernization of telecommunication systems and services.

The reply is not tenable as any proposed changes to the licensing regime were to be made in consultation with the sector stakeholders and subject to approval by the Federal Government. Besides changing the scope of the template and causing infringement upon the rights of the licensees, the LDI licensees could avail the infrastructure laid by the telecom infrastructure providers.

The matter was discussed in the DAC meeting held on 20th December, 2023. The DAC directed PTA to share the outcome of Authority's review with Cabinet Division and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 43)

1.5.7 Poor quality of 4G/LTE services & non-compliant of confidence level of web page loading time

According to Regulation 4 of Cellular Mobile Network Quality of Service (QoS) Regulations, 2021, licensees are required to meet Webpage Loading Time threshold of 5 seconds. Further, according to Next Generation Mobile Service (NGMS) licenses, the licensees are required to meet the threshold of 100 dBm or above of Reference Signal Receive Power (RSRP) with 90% confidence level. Moreover, Regulation 10 (1) (2) of PTA Functions and Power Regulations, 2007, states that the Authority shall conduct inspections, surveys, tests or make surprise checks through its designated officers or conduct performance audit of quality of service of the licensee from time to time to ensure that users of telecommunication services get such quality of service as laid down in the license, regulations and Key Performance Indicators (KPIs).

PTA under the Cabinet Division, Islamabad published 4th quarter quality of service survey including webpage loading time on its website for general public and found cellular operators as non-compliant to QoS Regulations, 2021.

Audit observed from the samples of 4G/LTE strength based on the survey of selected routes that the operators were non-compliant both in auto detect and locked modes and were providing poor quality 4G/LTE services. PTA did not take any action against the operators as per PTRA, 1996 and PTA Functions & Powers Regulations, 2007.

Audit contends that non-compliance by the service providers with the above stated regulations deprived the subscribers of the quality telecom services.

Audit reported the matter to the management and PAO during November, 2023. It was replied that PTA conducted quarterly QoS Surveys across the country with an aim to identify the weak areas and shared results with CMOs for taking required remedial actions in order to improve delinquent KPIs upto licensed thresholds. Coverage redundancy is ensured by mobile operators by deploying layers of technology i.e. 2G, 3G and 4G so wherever 4G is not available the technology falls back to 3G. Conduct of surveys and subsequent actions on part of CMOs was a continuous process and services are ensured within the claimed coverage of CMOs.

The reply is not tenable. The poor quality of services was reported in the surveys conducted by PTA itself and non-compliance of the operators to regulatory framework was identified; however, no action was taken against the operators to improve the quality of services.

The matter was discussed in DAC meeting held on 20th December, 2023. The DAC directed PTA to arrange a presentation on the instant issue for Audit, within two months. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 40)

CABINET DIVISION

CHAPTER-2

FREQUENCY ALLOCATION BOARD (FAB)

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

2.1 Introduction

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

- Allocate and assign frequency spectrum to the public sector providers of telecommunication services and systems, radio and television broadcasting operations, public and private wireless operators, and others.

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

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B) Comments on Budget and Accounts

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

Table-I Audit Profile of FAB

(Rs in Million)

S. No	Description	Total Nos.	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	01	01	1,107.075	-
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	1,107.075	-
4	Foreign Aided Projects (FAP)	-	-	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 8.971 million were raised in this report during the audit of Frequency Allocation Board. Summary of the Audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	**5.171**
A	HR/Employees related irregularities	5.171
4	Value for money and service delivery issues	-
5	Others	3.800
Total		**8.971**

2.3 Status of Compliance with PAC Directives

FAB				Compliance		%age
S. No	Audit Year	Total Paras	Total Directives	Received	Not Received	
1	1997-98	2	2	2	0	100
2	1998-99	5	5	5	0	100
3	1999-00	4	4	4	0	100
4	2000-01	3	3	2	1	67
5	2002-03	8	8	8	0	100
6	2003-04	5	5	4	1	80
7	2004-05	5	5	5	0	100
8	2005-06	10	9	9	0	100
9	2006-07	5	2	2	0	100
10	2007-08	3	3	2	1	67
11	2008-09	7	7	7	0	100
12	2009-10	7	7	7	0	100
13	2010-11	9	9	8	1	89
14	2013-14	11	11	10	1	91
15	2014-15	9	6	6	0	100
16	2015-16	5	3	3	0	100
17	2016-17	6	4	4	0	100
18	2017-18	10	8	6	2	75
19	2018-19	5	4	2	2	50
20	2019-20	12	8	8	0	100

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

AUDIT PARAS

2.4 Irregularities

A. HR/Employees related irregularities

2.4.1 Inadmissible payment of incentives – Rs 5.171 million

According to definition 2 (xxii) of FAB Employees Service Regulations, 2014, gross salary means "Monthly Pay and Regular allowances before subscriptions and deductions". Further, Honourable Supreme Court of Pakistan in Para-5 of Civil Petition No.231-K of 2020 elaborates in Para-486 of the decision that the term 'emoluments' means the "emoluments which the officer was receiving immediately before his retirement and shall include; Pay as defined in FR 9 (21)(a)(i); Senior Post Allowance; Special Pay of all types of nature; Personal Pay; Technical Pay; Indexed Pay; Increment accrued during leave preparatory to retirement; and any other emoluments which may be specially classed as Pay".

Islamabad High Court, Islamabad in W.P No.3084/2011 decided vide para 31(iii) that for the period w.e.f 01.03.2012 to 21.08.2015 the petitioner's salary etc. shall be paid by FAB in the amount as payable to a BS-19 officer of FAB. Further, the Honorable Supreme Court of Pakistan in Civil Petition No.2894 of 2019 upheld the decision of the Islamabad High Court and decided to pay the emoluments for the period mentioned in para 31 (iii).

Audit observed that the case for payment of emoluments to the officer was initiated and referred to Legal Advisor FAB who opined that all regular allowances and pay would be paid to the petitioner as decided by the High Court and the Supreme Court of Pakistan. However, on the directions of Director (Finance) FAB, while calculating the pay & allowances for payment, included Reward Money, Proficiency Incentive, Leave Encashment and POL Charges contrary to the advice of the legal advisor, ESR, 2014 and decision of the Court; thereby making inadmissible payment of fringe benefits of Rs 5,170,678 during FY 2022-23. Detail is given as under:

S.No.	Ledger Code	Description	Amount (Rs)
01	41352	Reward Money	1,213,978
02	41333	Proficiency Incentive	1,249,608
03	42315	Leave Encashment	1,677,480
04	44117	POL Charges	1,029,612
		Total	**5,170,678**

Audit reported the matter to the management and PAO during November 2023. It was replied that Rao Abdul Waheed, Ex-Director was relieved from FAB service and was at the disposal of Cabinet Division. The officers did not draw salary or any other allowances from Cabinet Division for the period from 01.03.2012 to 21.08.2015. Therefore, the officer filed a petition in IHC, Islamabad which was decided in favour of the petitioner. FAB filed a Civil Petition No. 2894 of 2019 in the Supreme Court of Pakistan against the judgment of IHC. However, the Supreme Court upheld the decision of Islamabad High Court and dismissed the petition.

The reply is not convincing and therefore not acceptable. The Honourable Supreme Court adjudicated for payment of emoluments. The Legal Advisor of FAB opined that emolument meant Pay & Regular allowance, hence, payment of reward money, proficiency incentive, leave encashment and POL charges by the Finance Wing of FAB was inadmissible.

The matter was discussed in DAC meeting held on 21st December, 2023. The DAC directed FAB to seek opinion from Law and Justice Division and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.51)

2.5 Others

2.5.1 Loss due to unauthorized use of FM Radio Frequency without valid License – Rs 3.800 million

According to Section 42 (1) of Pakistan Telecommunication (Re-organization) Act, 1996 and Regulation 4 (d) of Radio Frequency Spectrum (Allocation, Management & Monitoring) Regulations, 2021, the Board has the powers to investigate all complaints of interference and take appropriate action for effective clearance thereof. Rule 4 (3) (d) (iii) *ibid* further states that the Board shall have the powers to suspend and cancel the assignment of radio frequency to any operator or user upon the recommendation of the Authority or the PEMRA in case of licensee or proof sufficient to satisfy the Board that the operator or user has ceased its operations authorized under the Act, Ordinance and rules and regulations made there under and the license without approval of the Board, the Authority or the PEMRA.

FAB HQ under the Cabinet Division, Islamabad carried out technical monitoring survey during 1st quarter of 2023 and found unauthorized operation of FM Broadcast services in Mirpur, AJK. The monitoring report sent to PEMRA indicated that the License of M/s Rose Media had expired in 2017 and was not renewed as per FAB SP&M Record.

Audit observed that the frequency allocated to the licensee was operational without valid license and the FAB management and PEMRA did not take any action as per Act and Regulations due to which a loss of Rs 3,800,000 was caused to the national exchequer, as annual renewal fee at prescribed rate of Rs 400,000 along with a base price was not recovered from the operator for the last seven (7) years as detailed below:

S.No	Name of Operator	Bandwidth	Frequency Spot	Base Price (Rs)	Annual Renewal Fee (Rs)	Total amount (Rs)
01	M/s Rose Media	200kHz	90 MHz	1,000,000	2,800,000	3,800,000

Audit contends that due to weak monitoring and enforcement, the operator continued to use illegal frequency and FAB did not take any action against the operator.

Audit reported the matter to the management and PAO during November, 2023. It was replied that FAB monitors only the frequencies as per section 5(4) of Pakistan Wireless Board Act and forwards the reports to Authorities; in this case PEMRA, for enforcement action.

The reply is not tenable. Regulation 4 (d) of Radio Frequency Spectrum (Allocation, Management & Monitoring) Regulations, 2021, empowers the Board to suspend and cancel the assignment of radio frequency to any operator on the recommendation of the concerned authorities (PEMRA and PTA).

The matter was discussed in DAC meeting held on 21st December, 2023. The DAC directed FAB to share the relevant record with Audit for verification regarding action taken by PEMRA. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives and responsibility be fixed for allowing illegal use of Radio Spectrum.

(DP No.54)

2.5.2 Inadequate action by FAB against unauthorized usage of spectrum

According to Section 42 (1) of Pakistan Telecommunication (Re-organization) Act, 1996 and Regulation 4 (d) of Radio Frequency Spectrum (Allocation, Management & Monitoring) Regulations, 2021, the Board shall investigate all complaints of interference and shall take appropriate action for effective clearance thereof.

FAB HQ under the Cabinet Division, Islamabad forwarded monitoring reports to PTA for enforcement against illegal users including twenty (20) cases of unauthorized usage of spectrum during 2nd quarter of 2022 (October – December, 2022).

Audit reviewed the monitoring reports and observed that:

i. FAB reported to PTA the misuse of frequency spots 3423 & 3429 located at Anwar Baloch Restaurant, Malir Bridge, Karachi by M/s Jazz. PTA referred back the case of M/s Jazz to FAB with the comments that above mentioned frequency spots were assigned and were under the use of Link-Dot-Net. FAB did not respond to the comments of PTA and left the case unattended.

ii. M/s Telenor and Zong filed complaints to FAB against the installation of Cellular Signal Repeaters on different locations, causing interference in their respective IMT 900 MHz, 1800 MHz and 2100 MHz uplink frequency bands. FAB forwarded the complaints to Director (Enforcement Wireless) PTA during May, 2023 instead of taking action as per the Act and Regulations.

iii. FAB did not provide the list of illegal users of frequencies having complete information of the users addresses and contact numbers as identified by PTA Zonal office Karachi. PTA took actions in some cases but the illegal users denied to have used frequencies. Therefore, PTA suggested that in future joint Technical Monitoring would be carried out.

Audit contends that FAB did not perform its regulatory obligations of taking action against the illegal user of frequencies; instead, FAB reported the matter to PTA for action and shifted the responsibility on PTA.

Audit reported the matter to the management and PAO during November, 2023. It was replied that FAB conducts technical monitoring surveys by employing state-of-the-art monitoring equipment to monitor usage of frequency spectrum by wireless operators and identifies its unauthorized usage by providing complete details. Same is reported to the concerned authorities (PTA HQ / PEMRA HQ) for requisite enforcement action. It is reiterated that FAB is authorized to allocate, assign and monitor frequency spectrum all over Pakistan, however, enforcement does not form mandate of FAB.

The reply is not tenable. FAB has the powers under Rule 4(2)(d) of Radio Frequency Spectrum (Allocation, Management & Monitoring) Regulations, 2021 to investigate all complaints of interference and take appropriate action for effective clearance thereof.

The matter was discussed in DAC meeting held on 21st December, 2023. The DAC directed FAB to get the record verified in respect of reported twenty cases in collaboration with PTA. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives and responsibility be fixed for non-taking action against the illegal users.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2013-14, 2014-15 & 2015-16 vide Para(s) number 1.6, 2.8 &2.4.2 with no financial impact being para on the functions of the organization. Recurrence of same irregularity is a matter of serious concern.

(DP No.63 & 66)

2.5.3 Allocation of free backhaul frequencies and non-formulation of AIP Framework

Paras 8.12.1, 8.12.2 & 8.12.3 of Telecommunication Policy, 2015 states that Administrative Incentive Pricing (AIP) will be introduced for microwave spectrum assignments. PTA will consult stakeholders on the framework for AIP prior to its approval by the Federal Government (MoIT). Para 8.8.1 *ibid* further states that spectrum will be allocated for digital microwave communication to provide backhaul for fixed and mobile services. The roll out of future technologies, in the absence of fibre, is likely to create a bottleneck in backhaul. With this in view, and before the bottleneck arises, the microwave spectrum will henceforth be allocated, assigned and charged to licensees and other users through Administrative Incentive Pricing (AIP) mechanism to ensure rational use of spectrum for the purpose.

FAB HQ under the Cabinet Division, Islamabad in its 48^{th} Board's meeting approved earmarking of six (6) additional microwave backhaul channels to M/s CM Pak and Ufone. The record transpired that ISI supported the proposals for M/s CM Pak and Ufone for a period of one (1) year during the meeting with a suggestion to formulate AIP framework for Microwave Spectrum Assignments.

Audit observed that FAB allocated unrestricted free backhaul frequencies to the operators without finalization of AIP framework and fixing of fee as envisaged in Telecommunication Policy, 2015 which caused loss to the National Exchequer in the form of non-recovery of fee from the operators.

Audit contends that despite suggestion of the ISI, amid scarce state resources, provision of free allocation of frequencies to the operators in violation of the Policy reflect mismanagement and failure of Internal Controls.

Audit reported the matter to the management and PAO during November 2023. It was replied that the recommendations of the Board were conveyed to MoITT and PTA for formulation of the AIP framework as per Telecom Policy, 2015. The charging mechanisms and collection of fees from the telecom users was the mandate of PTA rather than FAB as per the Telecom Act, 1996. The AIP was proposed in the Telecom Policy, 2015, however, clause 8.7.3 of the same Policy states that the ASAF "Annual Spectrum Administrative Fee" will continue as defined in Section 4.4 and Appendix-B of the 2004 Mobile Cellular Policy till AIP is introduced consequent to the policy. Hence, no free spectrum is being used by the mobile operators.

The reply is not tenable. Para 8.8.1 of Telecom Policy, 2015 clearly mentions that allocation of backhaul frequencies will be charged to licensees and other users through Administrative Incentive Pricing (AIP) mechanism to ensure rational use of spectrum for the purpose. Further, the AIP framework was required to be formulated in consultation with all stakeholders and approval of the Federal Government which is still pending despite lapse of eight (8) years.

The matter was discussed in the DAC meeting held on 21st December, 2023. The DAC directed FAB to shift / refer the para to PTA and MoITT for response. No further progress was reported till finalization of this report.

Audit recommends that responsibility be fixed for allocation of free backhaul frequencies without finalization of AIP framework.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2017-18 vide Para(s) number 2.5.1 with no financial impact being para related to functions of the organization. Recurrence of same irregularity is a matter of serious concern.

(DP No.64)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-3

NATIONAL RADIO & TELECOMMUNICATION CORPORATION (NRTC)

Chapter 3

National Radio & Telecommunication Corporation (NRTC) (MoDP)

3.1 Introduction

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

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

B) Comments on Budget and Accounts

3.1.1 According to Auditor-General's office letter No.574/43-R&SD/SOP/2007Pt dated 01.12.2023, National Radio Telecommunication Corporation (NRTC), being autonomous body of the Federal Government, while appointing the Chartered Accountant firm for annual audit of its financial statements, is required to obtain concurrence of the Auditor-General of Pakistan. However, NRTC did not obtain the said concurrence from the office of the Auditor-General of Pakistan.

3.1.1 According to Note 32 to the Financial Statements, NRTC could not control its exchange (loss) on financial instruments as the same was increased from Rs 302.924 million (in 2022) to Rs 508.941 million (in 2023); thereby showing an increase of 68% as compared to the corresponding exchange loss of previous year. The increase in exchange loss shows weak foreign exchange risk management by NRTC which, if not mitigated, would further erode the future profitability of the company.

3.1.2 According to Note 35.1 to the Financial Statements, the credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. However, the age analysis of the trade debts of NRTC showed that the credit risk was increased significantly as the trade debts past due over 180 days had increased from Rs 737.517 million (in 2022) to Rs 1729.79 million (in 2023); thereby showing an increase of 134.5%.

Table-I Audit Profile of NRTC

(Rs in Million)

S. No	Description	Total Nos.	Audited	Expenditure audited (FY 2022-23)	Revenue / Receipts Audited (FY 2022-23)
1	Formations	01	01	20,304.545	21,955.723
2	• Assignment Accounts/ • SDA	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	20,304.545	21,955.723
4	Foreign Aided Projects (FAP)	-	-	-	-

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 6,405.163 million were raised in this report. This amount also included recoveries of Rs 6,159.290 million as pointed out by audit. Summary of the audit observations classified by nature was as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	**179.092**
A	Procurement related irregularities	179.092
4	Value for money and service delivery issues	264.643
5	Others	5961.428
Total		**6,405.163**

3.3 Status of Compliance with PAC Directives

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

AUDIT PARAS

3.4 Irregularities

A. Procurement related irregularities

3.4.1 Irregular procurement of equipment and renewal of software– Rs 179.092 million

According to Rule 12(2) of PPRs, all procurements over three million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation in at least two national dailies, one in English and the other in Urdu.

NRTC under the Ministry of Defence Production, Rawalpindi procured services for renewal of software license and test equipment viz, DC Power Supply, Digital Multimeter, Digital Oscilloscope, Signal & Spectrum Analyser, Network Analyzer and Signal Shark with ADFA2. NRTC incurred an expenditure of Rs 179,091,622 during FY 2022-23 as detailed below:

S.No	PDP No.	Description	Amount
1	147-2024	Renewal of software license from M/s A. Hamson	11,693,650
2	150-2024	Procurement of test equipment from M/s Rohde and Schwarz GmbH & Co.	145,642,844
3.	159-2024	Procurement of test equipment from M/s Nexus Telecom	21,755,128
Total			**179,091,622**

Audit observed that the services for renewal of software license and test equipment were procured without inviting open tenders.

Audit contends that the procurements were made in disregard to PPRs, 2004 (amended 2021), which reflects weak procurement and contract management.

Audit reported the matter to the management and PAO during November, 2023. It was replied that the procurements were made from the

Original Equipment Manufacturers (OEM)/authorised distributors which were covered under Rule 42 (c), (ii) & (iii) of the PPRs 2004.

The reply is not tenable as multiple authorised distributors of PALO ALTO for renewal of software license existed in the market among which competition could be held. Similarly, multiple manufacturers/authorized dealers of the test equipment were available in the market. The services for renewal of software and the test equipment were neither sensitive nor emergently required to be acquired through direct contracting. Further, NRTC did not ensure price reasonalblity while procuring the goods and services through direct contracting.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed that evidence of OEM's recommendation for renewal of software license from M/s A Hamsons, client requirement of procurement of test equipment from M/s Rohde and Schwarzs and M/s Nexus Telecom be got verified from audit, besides regularization of expenditure from the competent forum. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Years 2018-19 and 2021-22 vide paras No.3.4.1 and 3.4.1 having financial impact of Rs 57.028 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 147,150 & 159)

3.5 Value for money and service delivery issues

3.5.1 Loss due to deduction of LD charges – Rs 264.643 million

According to the standard terms and conditions of the contracts, the LD charges up to 2%-10% on late delivery of supplies are deducted by the customers from all the payments made to NRTC.

NRTC under the Ministry of Defence Production, Rawalpindi executed different local and export contracts for supply of stores.

Audit examined the relevant record of various sales contracts and observed that NRTC did not deliver the requisite stores within the stipulated time due to which the clients deducted LD charges of Rs 264,642,520 as detailed below:

S. No.	**Item #**	**Name of contractor**	**LD Charges (Rs)**
1.	6	DGP (Army)	88,275,600
2.	10	Ministry of Defence, Saudi Arabia	145,176,000
3.	22	D.G C41 Directorate/ C&IT GHQ	14,480,416
4.	23	Director of Procurement (Navy)	5,520,120
5.	25	DGP Army GHQ	11,190,384
Total:			**264,642,520**

Audit contends that, due to imprudent contract management, NRTC did not deliver the requisite stores within the stipulated time and caused a loss of Rs 264,642,520 in the form of LD charges to the Corporation.

Audit reported the matter to the management and PAO during November, 2023. It was replied that the matter had been taken up with concerned authorities for revision of agreements and waiver off LD charges.

NRTC has accepted the audit contention; however, neither the contract agreements were revised nor LD charges were got waived off from clients till finalization of the Audit Report.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed NRTC management to take up the matter with the concerned departments/agencies for waiver of penalty of LD charges and get the record verified from audit.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in Audit Reports for Audit Years 2018-19, 2019-20, 2021-22 and 2022-23 vide paras no.3.5.3, 3.4.1, 3.5.1 and 3.5.1 having financial impact of Rs 76.663 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.161)

3.6 Others

3.6.1 Non-receipt of mobilization advance in export contract-Rs 2,258.004 million (US$ 8,164,313)

According to clause 1.4(i) of Export Contract No. FM&S/NRTC / NIA/23 dated 03.02.2023, the purchaser shall pay the supplier according to the payment mode stated hereunder, for the implementation of Part-I as provided in the schedules. The supplier shall be entitled to an advance payment equivalent to fifty percent (50%) of contract sum for Part-I as mobilization fee for commencement of the work. Further, clause 1.5(i) of the contract requires that the supplier shall be entitled to an advance payment equivalent to 35% of contract sum for Part-II as mobilization fee for commencement of work.

NRTC under the Ministry of Defence Production, Rawalpindi executed an export contract of US $19,609,510 with National Intelligence Agency (NIA), Abuja of Nigeria on 03.02.2023 for provision and installation of various electronic equipment and allied solutions.

Audit observed that NIA of Nigeria was under contractual obligation to pay mobilization advance of Rs. 2,258,004,181 (USD 8,164,313) to NRTC for both parts of the contract before the commencement of work. The said mobilization advance was not received despite lapse of a considerable time. Audit further observed that NRTC issued foreign and local purchase orders of Rs 1,138,103,137 and made advance payments thereof including allied expenses on finalization of the contract.

Audit contends that due to imprudent contract management, NRTC incurred huge expenditure without receipt of moblization advance as per contract.

Audit reported the matter to the management and PAO during November, 2023. It was replied that as per contract, 50% and 35% of mobilization advance was to be received for phase-I & II before commencement of the work. The payment got delayed due to change of Government in Nigeria, however, after stabilization of newly formed Government, the payment is expected to be received shortly. As regards to the procurement and allied expenditure, the amount was incurred for timely supplies without delays.

The reply is not tenable. The expenditure incurred in advance without receipt of mobilization advance as envisaged in the contract and without bank guarantee has increased the risk/exposure of NRTC to huge loss.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed NRTC management to make concrete efforts for implementation of the contract and receiving of the mobilization advance. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 140)

3.6.2 Non-recovery against delivered stores - Rs 2,097.602 million

According to terms and conditions of various sales contracts given in the table below, the customers were liable to make advance payments as well as payments against delivered stores to NRTC.

NRTC under the Ministry of Defence Production, Rawalpindi executed various sales contracts during FY 2022-23 and delivered the requisite stores to the clients as per terms and conditions of the contracts.

Audit observed that NRTC did not manage to recover an amount of Rs 2,420,941,670 on account of advance payment and payments against delivered goods from various customers as detailed below:

S. No.	Item No.	Organizations	Outstanding Amount (Rs)	Delivery Date
1.	2	MI Directorate	1,122,623,850	02.06.22
2.	4	CMA (DP) Rawalpindi	302,095,128	09.06.23
3.	12	Civil Works Organization Rawalpindi/GHQ	44,466,188	29.04.22
4.	13		66,110,625	20.05.23
5.	14	F.C Baluchistan (North), Quetta	215,966,526	05.04.21
6.	16	S.S.P Logistics & Headquarters, Islamabad	34,000,000	17.04.23
7.	17	Director General Procurement (Army)	498,939,759	18.05.23
8.	27	D.G C41 Directorate/ C&IT Branch/GHQ	93,977,111	07.04.23
9.	28	NLC	36,277,881	23.08.22
10.	30	FC Corps	6,484,602	10.03.23
Total			**2,420,941,670**	

Audit contends that due to weak receivables management, NRTC failed to recover the receipts from its customers despite lapse of considerable time.

Audit reported the matter to the management and PAO during November, 2023. It was replied that an amount of Rs 323.340 million has been recovered and verified by audit against contracts at S. No 1&2.

The management has accepted the audit contention; however, NRTC did not make efforts to recover the captioned amount.

The matter was discussed in the DAC meeting held on 7th December,2023. The DAC directed to reduce the para to the extent of amount verified by audit. Further, efforts be made to recover the balance amount and the record may be got verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 160)

3.6.3 Loss due to non-incorporation of price variation clause– Rs 822.437 million

As per Clause-1b(2) of Chapter-V of DPPI-35, related to Price Variation Clause (PVC), if such a clause is unavoidable, variation in the contract price would be admissible only in so far as rise or fall in cost of labour and/or material is concerned and that to, 15% maximum variation for contracts on F.O.R (freight on road) basis, where import of raw material is involved to execute the contract.

NRTC under the Ministry of Defence Production, Rawalpindi executed two contracts with D.G Procurement (Army) on FOR basis as detailed below:

S.No	**Contract No.**	**Rate/Unit**	**Qty**	**Date of Contract**	**Total value**
01	08-0790-3-/0A	18,390,750/-	115	04.06.2021	2,114,936,250
02	08-0834-3-0	20,790,000/-	162	27.05.2022	3,367,980,000
Total					**5,482,916,250**

Audit examined the contracts documents and observed that:

(i) The first contract was signed on 04.06.2021 when the exchange rate was Rs 155.30/$, whereas the second contract was signed on 27.05.2022 when the exchange rate was Rs 202.60/$; thereby leading to an exchange rate difference of Rs 47.30/$ between the two contracts. NRTC supplied 115 GSRs at a total cost of Rs 2,114,936,250. Had the price variation of 15% been included in the contract, the contract amount would have increased to Rs 2,432,176,688. Due to non-inclusion of the PVC in the contract, NRTC sustained a loss of Rs 317,240,438 (Rs 2,432,176,688-Rs 2,114,936,250).

(ii) The second contract was signed on 27.05.2022 when the exchange rate was Rs 202.60/$, whereas the exchange rate at the end of FY 2022-23 was Rs 289/$. NRTC supplied 162 GSRs for an amount of

Rs 3,367,980,000. Had the price variation of 15% been included in the contract, the contract amount would have increased to Rs 3,873,177,000. Due to non-inclusion of PVC clause, NRTC sustained a loss of Rs 505,197,000 (Rs 3,873,177,000- Rs 3,367,980,000).

Audit contends that due to volatility of exchange rate and non-availability of forex hedging, it was inevitable for NRTC to include the Price Variation Clauses in both the contracts. However, due to non-inclusion of PVC in the contracts NRTC sustained a total loss of Rs 822,437,438

Audit reported the matter to the management and PAO during November, 2023. It was replied that NRTC made all out efforts to get the maximum increase in the prices through sales contracts. NRTC had to comply with the Invitation to tender conditions. In every quotation/tender NRTC mentions about the shorter price validity with prices conditional to the current dollar rate. The customers show reluctance to increase the price due to budget constraints at their end. However, in this particular case NRTC managed to increase the contract value by 13%.

The reply is not tenable as both the contracts were on ‘FOR’ basis and involved import of raw materials. Therefore, the PVC should have been included in the contracts to avoid the loss of exchange rate fluctuation.

The matter was discussed in the DAC meeting held on 07th December, 2023. The DAC directed that Cost of Production and Cost Variation Statement based on the exchange rate fluctuation be provided to audit. It was also directed that efforts be made to recover the exchange rate fluctuation from the customers. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 146)

3.6.4 Loss due to exchange rate fluctuations –Rs 653.710 million

According to Exchange Fluctuation Clauses of two contracts No. 91/ET/2020-21 and 92/ET/2020-21 (Clause-15 in both the contracts) executed between the Director General Munitions Production Rawalpindi and NRTC, the exchange rates have been taken as 1 US$ = Rs 162 & Rs 166.958 respectively in both the contracts. However, any fluctuation in the rates of exchange at the time of opening of LCs and subsequent variation at the time of payment will be paid at the actual production of bank documents. In case of increase in US Dollar rate, the purchaser will make payment of the additional amount to the supplier, on allocation of funds from GHQ. Amount saved by NRTC (if any) due to reduction in US Dollar rates will be deposited into government treasury through TR.

NRTC under the Ministry of Defence Production, Rawalpindi executed two contracts with the Director General, Munitions Production, Rawalpindi for supply of Software Defined Radio (SDRs) sets on 28.06.2021. Both the contracts provided for fluctuation in exchange rates at the time of opening of LCs and subsequent variation at the time of payment on production of bank documents.

Audit observed that NRTC did not claim the fluctuation in exchange rates due to which NRTC sustained a loss of Rs 653,709,654 upon supply of stores as detailed below:

S.No	Contract No	Forex Value ($)	Rate as per contract	Prevailing US$ rate	Loss (Eq. Rs)
1	No.91/ET/2020-21/Army(28.06.2021)	8,301,839	Rs 162/$	Rs207.12/$	374,578,975
2	No.92/ET/2020-21/Army(28.06.2021)	6,950,119	Rs166.958/$	Rs 207.12/$	279,130,679
Total					**653,709,654**

Audit contends that due to weak contract management, NRTC failed to recover the difference in the exchange rates from the client and caused a loss to the Corporation.

Audit reported the matter to the management and PAO during November, 2023. It was replied that upon receipt of payments against both the referred contracts, case was immediately taken up with concerned agency for amendment in the contracts to cover the dollar exchange rate fluctuation.

The reply is invalid. Both the contracts envisaged clause-15 for payment of the exchange rate fluctuations and do not require amendment.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed to recover the amounts as per contractual terms and get the record verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in Audit Reports for Audit Years 2018-19, 2019-20 and 2022-23 vide paras no. 3.6.6, 3.5.3 and 3.6.3 having financial impact of Rs 136.410 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 142)

3.6.5 Wasteful expenditure on account of supply of installation kits –Rs 66.781 million

According to terms and conditions of the Quotation No. SL/1-Gen/T-80UD/GHQ/2019 dated 13.12.2019, prices were F.O.R based and valid for 30 days. Further, payment terms were 50% advance and 50% after the delivery of store within six months after receipt of confirmed order.

NRTC under the Ministry of Defence Production, Rawalpindi, in response to request of C&IT (GHQ) dated 02.12.2019, offered the rate of Rs 247,132,883 for the proposed project of Post Trial Report-Fd Validation of SDRs Fitment in Tks T-80UD Tanks. In response, the C&IT Branch Sigs Directorate, communicated the approval for provision of installation kits in two phases.

Audit observed that NRTC made payments to the foreign and local suppliers amounting to Rs 66,780,705 without executing formal contract agreement and receiving any advance payment from the customer.

Audit contends that incurring huge expenditure without any formal agreement and without receiving any advance from the customer resulted in wasteful expenditure as the customer has not executed the contract till the completion of audit.

Audit reported the matter to the management and PAO during November, 2023. It was replied that activities on the part of NRTC with respect to said order were as per customer consent as per LOI/supply order. The case has been taken up with customer and pursuance at appropriate level is being made for formal contract signing.

The reply is not tenable as contract could not be executed for more than two years and significant cost was incurred on procurements against the subject order.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed to conduct a fact findinginquiry within three months to ascertain the reasons for delay in contract and for incurring the expenditure without execution of contract. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 144)

3.6.6 Loss to national exchequer due to less charging of sales tax – Rs 33.094 million

According to S.R.O. 179(1)/2023 dated: 14.02.2023, the Federal Government enhanced the rate of sales tax in respect of taxable goods falling within the purview of sub-section (1) of section 3 of the Sales Tax Act, 1990 from seventeen percent (17%) to eighteen percent (18%).

NRTC under the Ministry of Defence Production, Rawalpindi executed six (06) contracts with different clients for supply of defence related stores.

Audit scrutinized the record relating to sales contracts and observed that an amount of Rs. 33,093,590 was less claimed by NRTC from its customers in the sales tax invoices; thereby, causing a loss to the national exchequer. It is pertinent to mention that sales tax rate was revised from 17% to 18% during F.Y 2022-23.

Audit contends that due to weak financial discipline sales tax at lesser rates was charged to customers.

The matter was reported to the management and PAO during November, 2023. It was replied that amendment against 02x contracts to incorporate the change of GST rate from 17% to 18% was made. The case for amendment in remaining 04x contracts was also taken up with the concerned agencies. However, customer's view point considering the non-allocation of additional funds cannot be subsided. NRTC assures making hectic efforts for recovery of remaining payments including 18% GST. Updated status will be shared with the Audit.

The management accepted the audit contention; however, no amount against the less receipt of GST has been received till date.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed to amend all contracts, the amount of sales tax be collected/deposited into national exchequer and get the record verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 143)

3.6.7 Loss due to imprudent contract management – Rs 29.800 million

According to clause 11 of the contract with Survey of Pakistan, Ministry of Defence, should the contractor fail to deliver the Aerial photography data within stipulated period of supply, on the expiry, the client shall be entitled at his option to take either of the actions: (a) To cancel the contract, at risk and expense of the Contractor. The contractor shall also be liable to bear any loss which client sustains on this account. (b) The firm has to pay liquidation damages for the period of delays in supply of Aerial photography data upto rate of 1% of the contract price per month or part of a month exceeding the original delivery period subject to the provision that the total liquidation damages thus levied will not exceed 10% of total contract price.

NRTC under the Ministry of Defence Production, Rawalpindi executed a contract of Rs 108,433,500 with the Survey of Pakistan, Ministry of Defence, for Cadastral Mapping (8-10 cm true ortho-rectified aerial photography) in the cities of Lahore and Karachi in May, 2021. NRTC was under contractual obligation to carry out the work within 30 days from the date of signing of the contract.

Audit observed that the Survey of Pakistan paid an amount of Rs. 35,625,905 to NRTC against 15% mobilization advance and 10% payment on successful delivery of initial deliverables. Accordingly, NRTC incurred an expenditure of Rs 29,800,583 by making payment to the supplier for execution of the contract. Subsequently, the Survey of Pakistan cancelled the contract due to failure of NRTC to complete the contractual obligation. The Survey of Pakistan demanded the amount of Rs 35,625,905 back which was not returned by NRTC till finalization of this report.

Audit contends that due to imprudent contract management, NRTC sustained a loss of Rs 29,800,583 by making payment to the supplier. In addition, the Survey of Pakistan demanded its payment of Rs 35,625,905 back due to non-completion of the work within the stipulated time.

Audit reported the matter to the management and PAO during November, 2023. It was replied that efforts were being made to resume the contract. Besides, a recovery notice was also served on the vendor to make the loss good.

The management accepted the audit contention; however, the matter was not resolved till the date of audit.

The matter was discussed in the DAC meeting held on 7th December, 2023. The DAC directed to conduct a fact-finding inquiry to ascertain the reasons for cancellation of contract and person(s) responsible (if any). The DAC further directed to submit the FFI in the next Board's meeting. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DPs No. 141)

MINISTRY OF DEFENCE PRODUCTION

CHAPTER-4

TELEPHONE INDUSTRIES OF PAKISTAN (TIP)

Chapter -4

Telephone Industries of Pakistan (TIP)

(MoDP)

4.1 Introduction

A) Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 under Companies Act 1913 (now Companies Act 2017). TIP is currently working under the control of Ministry of Defence Production as wholly owned subsidiary of NRTC. In pursuance of the Federal Cabinet's decision, National Radio Telecommunication Corporation (NRTC) acquired TIP in December, 2021.

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

B) Comments on Budget and Accounts

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

Table-I Audit Profile of TIP

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	01	01	3,210.089	2514.612
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	3,210.089	2514.612
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 2,863.721 million were raised in this report during the current audit of TIP. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S.No	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and misappropriation	**-**
3	Irregularities	**2,863.721**
A	Procurement related irregularities	406.955
B	Management of Accounts with Commercial Banks	2,456.766
4	Value for money and service delivery issues	-
5	Others	-
Total		**2,863.721**

4.3 Status of Compliance with PAC Directives

TIP				Compliance		%age
S. No.	Audit Year	Total Paras	Total Directives	Received	Not received	
1	1990-91	18	18	13	5	72
2	1992-93	19	19	19	0	100
3	1996-97	9	5	2	3	40
4	1997-98	4	4	4	0	100
5	2004-05	No audit para was printed in these Audit Reports.					
6	2005-06						
7	2006-07						
8	2007-08						
9	2008-09						
10	2009-10	13	4	4	0	100
11	2010-11	27	27	23	4	85
12	2013-14	19	2	1	1	50

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

AUDIT PARAS

4.4 Irregularities

A. Procurement related irregularities

4.4.1 Irregular expenditure on procurements – Rs 375.180 million

According to Rule 12 (2), all procurement opportunities over three million Rupees should be advertised on 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.

TIP under the Ministry of Defence Production, Rawalpindi incurred an expenditure of Rs 375,180,621 on procurement of electrical cables, items, frames and other items of different specifications for Body Worn and Pakhtunkhwa Energy Development Organization (PEDO) projects during FY 2022-23.

Audit observed that TIP procured the items for Body Worn and PEDO projects on the basis of quotations instead of inviting tenders. Further, the frames were procured on the basis of single bid. Detail is given below:

S.No	PDP No.	Description	Amount (Rs)
01	100-24	Procurement of Cables	197,191,800
02	-do-	Procurement of Electric Items	44,248,716
03	-do-	Procurement of Frames	47,291,332
04	102-24	Procurement of items of different specifications for Body Worn project	86,448,773
		Total	**375,180,621**

Audit holds that electrical cables, items, frames and other items of different specifications were procured in violation of PPRs 2004 (amended 2021) which reflect weak procurement & contract management.

Audit reported the matter to the management during November, 2023. It was replied that in accordance with the terms of contract with PEDO, advance samples were required to be approved by the consultant (authorized by customer) before procurement. For this purpose, a committee was formed to get quotations from OEMs against the equipment (cables & Electrical Items) and after technical inspection, samples were submitted to customer for acceptance. After acceptance from the customer, equipment was purchased from OEM in case of electrical items and cables, whereas customized frames were procured through tender process. It was further replied that procurement for Body Worn Project was made from OEM / authorized rep against the project and as per requirement of the customer related to specific brand, hence, tender was not required.

The reply is not tenable. TIP obtained three quotations from different OEMs and the lowest one was forwarded to the client which was accepted by the client. Notwithstanding, many other OEMs for cable and electric items, neither quotations were obtained nor tender was invited. Tender (single stage two envelops) was invited for procurement of frames; however, the procurement was made from a single bidder without technical evaluation on the plea that the bidder was financially lowest.

The matter was discussed in DAC meeting held on 6th December, 2023. The DAC directed TIP to get the record of calling quotations from vendors be verified from Audit within 3 days. The DAC further directed TIP to provide complete record i.e. ledger, OEM certificates, quotations and compartive statement for verification by Audit within 3 days.

Audit recommends implementation of DAC directives.

(DP No. 100 & 102)

4.4.2 Irregular/unjustified procurement of vehicles - Rs 31.775 million

According to Para 10 of Memorandum of Articles of Association of TIP, the management of the business of the Company shall be vested in the Directors and the Directors may exercise all such power and do all such acts and things, as the company is, by its Memorandum of Association or otherwise authorized to exercise or do and as are not hereby or by statute directed or required to be exercised or done by the company in general meeting.

TIP under the Ministry of Defence Production, Rawalpindi incurred an expenditure of Rs 31,775,000 on purchase of eight (8) new vehicles during 2022-2023 as detailed below:

S. No.	Description	Qty	Purchase Order No.	Name of supplier	Amount (Rs)
01	Suzuki Bolan	01	LP-958/L-7876/ 22 dated 13.09.2022	M/s Suzuki Motors, IBA	1,500,000
02	Suzuki Cultus	02	-do-	-do-	5,508,000
03	Hyundai Tucson AWD	01	LO-957/L7876/22 dated 13.09.2022	M/s Hyundai Islamabad	7,627,000
04	Honda City 1.5L	01	LP-1014/2022 dated 13.12.2022	M/s Honda Atlas Cars	4,559,500
05	Honda City CVT 1199 cc	01	LP-959/L-7876/22 dated 13.09.2022	M/s Honda Atlas Cars	3,969,500
06	Honda City CVT 1199 cc	01	-do-	M/s Honda Atlas Cars	4,305,500
07	Honda City CVT 1199 cc	01	-do-	M/s Honda Atlas Cars	4,305,500
				TOTAL	**31,775,000**

Audit observed that:

(i) The vehicles were purchased against the funds received for the projects transferred by NRTC for execution being subsidiary.

(ii) The approved projects did not have provision for procurement of vehicles for TIP.

(iii) The vehicles were purchased without approval of the Board of Directors and approved authorization and entitlement as per transport policy. The CEO of TIP was allowed 2200 CC vehicle against the entitlement of 1300 CC.

Audit contends that procurement of luxurious vehicles against project funds without the approval of Board, amid default financial position of TIP, reflects imprudent financial decisions and weakness of internal controls.

Audit reported the matter to the management and PAO during November, 2023. It was replied that being private limited company registered under Companies Act, 2017, the Board of Directors was empowered to exercise certain powers on behalf of the company including incurrence of capital expenditure. Under these provisions of the Companies Act, 2017, the BoDs approved the procurement of vehicles in its 202nd meeting and subsequently its expenditure was approved in 207th BoD's meeting.

The reply is not tenable. The Board approved the budget for the FY 2022-23 instead of approving procurement of vehicles along-with entitlement/authorization of vehicles.

The matter was discussed in the DAC meeting held on 6th December, 2023. The DAC directed the management to place the case in next meeting of the Board of Directors for approval of vehicles including authorization and entitlement of vehicles for each officer**.** No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 105)

B. Management of Accounts with Commercial Banks

4.4.3 Recurring loss due to accumulative loan & accrued mark-up – Rs 2,456.766 million

According to National Bank of Pakistan (NBP) letter No.BR:TIP: Renewal dated 25.09.2007, the NBP approved renewal of credit facilities with the condition that disbursement would be permissible on payment of upto date mark-up; quarterly review of financial accounts of the company;

and a registered charge on company's assets in line with total exposure of credit facilities. Furthermore, clause 8.04 of the agreement dated 14.09.2009 states that if the customer fails to pay the amounts as demanded, NBP shall have the right to enforce and realize the securities without limitation the guarantee, the demand promissory note, the hypothecated goods/mortgaged property(s) without intervention of court and to file suit(s) for the recovery.

TIP under the Ministry of Defence Production, Rawalpindi obtained two loans (demand finance facility) from National Bank of Pakistan amounting to Rs 1,177 million against Government Guarantees. Detail of the loans and accrued mark-up is as under:

S.No	Description	Amount (Rs)
01	Demand finance facility – 1	1,075,000,000
02	Demand finance facility – 2	102,149,000
03	Accrued mark-up upto 2022	1,224,029,325
04	Accrued mark-up upto 2023	55,588,600
	Total	**2,456,766,925**

Audit observed that TIP management did not pay a single instalment as well as interest on the loan to the National Bank of Pakistan, which resulted in recurring losses due to accumulation of loan & its interest amounting to Rs 2,456.766 million.

Audit opines that due to non-payment of loan, the interest amount is being compounded with each passing day having serious financial and legal repercussions for TIP.

Audit reported the matter to the management and PAO during November, 2023. It was replied that TIP management was concerned to resolve the issue as it created major hurdle in operations of the company as well as acquisition of business being a defaulting entity. For resolution of the issue, the case was being discussed at multiple levels. Recently, a meeting was held at HQ NRTC with delegation of NBP to discuss different options including rescheduling of loan on softer terms, waiver of accrued interest and balloon payments against principal amount.

The reply is not tenable as no strenuous efforts were made to settle the loan even after declaring TIP as a subsidiary of NRTC.

The matter was discussed in DAC meeting held on 6th December, 2023. The DAC directed the TIP management to expedite the efforts for resolution of the case with NBP and intimate the progress to Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2010-11 and MFDAC Report(s) for Audit Year(s) 2022-23 vide Para(s) number 6.10 & 4.1 having financial impact of Rs 1,399.291 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 104)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-5

ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL (ECAC)

Chapter 5

Electronic Certification Accreditation Council (ECAC) (MoITT)

5.1 Introduction

A) The Electronic Transactions Ordinance (ETO) was promulgated in 2002. Under this Ordinance, Electronic Certification Accreditation Council (ECAC) was established and accordingly the notification of ECAC was issued on 18.09.2004 but the Council remained dysfunctional from 2007 to 2015. According to the Ordinance, the Certification Council shall comprise five members, with four members from private sector. One of the members shall be designated as the Chairman.

After a gap of eight years, realizing the importance of e-commerce, the Federal Government revived the Council in April, 2015. ETO provides a legal framework to recognize and facilitate documents, records, information, communications, and transactions in the electronic form and to provide accreditation to the certification service providers. With the development of e-commerce, regulatory laws have been made. The paper-based concept of identification, declaration and proof is carried through the use of digital signatures in an electronic environment based on Public Key Cryptography.

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

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

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

B) Comments on Budget and Accounts

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

Table-I Audit Profile of ECAC

(Rs in Million)

S. No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	01	01	122.978	-
2	• Assignment Accounts • SDAs • ETC	01	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 101.148 million were raised in this report during the current audit of ECAC. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount (Rs)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities (A+B+C)	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	101.148
	Total:	**101.148**

5.3 Status of Compliance with PAC Directives

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

AUDIT PARAS

5.4 Others

5.4.1 Inadmissible payment on account of support services for PKI – Rs 78.310 million

According to Clause 31.1 of the contract agreement executed between NTC and M/s Ascertia Pvt. Ltd for establishment of Public Key Infrastructure (PKI) on turnkey basis, the contractor shall provide technical support services for all components (hardware/software) mentioned in the BOQ as per price schedule mentioned in attached annex-D of the contract. The details of SLA are mentioned in annex-F. Technical Support Services (TSS) contract shall be signed separately before issuance of Provisional Acceptance Certificate (PAC) in the light of annex-F terms and conditions of Service Level Agreement (SLA). Effective date of the start of TSS contract shall be from the date of issuance of PAC and quarterly payments shall be made by NTC through Director Datacom subject to satisfactory services by the contractor.

ECAC under the MoITT, Islamabad transferred an amount of Rs 546,834,859 for establishment of PKI including the cost of remote support services of Rs 78,309,671 for 4^{th} & 5^{th} years.

Audit examined the record and observed that NTC had executed the Service Level Agreement (SLA) with M/s Ascertia for remote support services only for three years. The provision of support services for the years 4^{th} & 5^{th} was optional as written in the SLA. The transfer of cost of remote support services for the years 4^{th} & 5^{th} by ECAC to NTC was in violation of the terms and conditions of the SLA.

Audit contends that due to weak financial discipline, ECAC transferred the cost of remote support services for the years 4^{th} & 5^{th} which come to be 2025-26 & 2026-27.

The matter was reported to the management and PAO during October and November, 2023. It was replied that ECAC would require continuous support from PKI vendor to run the critical software & infrastructure for the foreseeable future. Rates were locked in BoQ at the time of contract signing which represented proactive approach of the management. These technical support services for 4th & 5th year could not be acquired on such rates at a later stage.

The reply is not tenable. ECAC transferred the cost of remote support services to NTC in anticipation of the services provided by the service provider. As per SLA, payment to the service provider was required to be made on quarterly basis.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC directed the management to provide the detailed reply with breakup of the contractual period of three years and cost of next 4th & 5th years.

Audit recommends implementation of DAC directives.

(DP No. 92)

5.4.2 Non-conducting of foreign training despite payment of Rs 22.838 million

According to clause 11.2.1 of the contract agreement executed between NTC and M/s Ascertia Pvt. Ltd for establishment of ECAC Public Key Infrastructure (PKI) on turnkey basis, the contractor shall provide 10 days foreign training to ten (10) ECAC employees for components of the PKI Solution as per annex-G.

ECAC under the MoITT, Islamabad transferred an amount of Rs 546,834,859 to NTC for establishment of PKI including the cost of foreign training of Rs 22,837,848 for ten (10) employees. The training was scheduled to be held at the lab premises of M/s Ascertia at U.K.

Audit examined the record and observed that NTC did not conduct the foreign training of the employees of ECAC despite the transfer of funds and operationalization of the PKI project since January, 2023.

The matter was reported to the management and PAO during October and November, 2023. It was replied that approval of the foreign training was in the process from the relevant forum. NTC had been requested for its current status. After approval, training schedule would be shared with audit.

The reply is not tenable. Foreign training was planned and scheduled as per Project Implementation Plan (PIP) to be conducted during June and July, 2022.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC directed the management to conduct trainings as per contract agreement under intimation to audit.

Audit recommends implementation of DAC directives.

(DP No. 91)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-6

IGNITE NATIONAL TECHNOLOGY FUND

Chapter 6

Ignite National Technology Fund

(MoITT)

6.1 Introduction

A) The Federal Government of Pakistan established a Fund called the Research and Development Fund under sub-section (1) of section 33 C of Pakistan Telecommunication (Re-organization) (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 consists of:

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

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

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

Federal Government in pursuance of sub-section (2) of section 57 of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 approved the Research and Development Fund Rules, 2006 on 30.09.2006. In terms of Rule (4) *ibid,* MoITT established Ignite National Technology Fund Company – a non-profit Company limited by guarantee for implementation of research and development projects in the information and communication technology sector. The Company is managed by a Board of Directors headed by the Secretary of IT as its Chairperson to run the affairs of the Company.

B) Comments on budget and Accounts

6.1.1 As per Note-11 to the Financial Statements, Ignite management received a refund of Rs 31.445 million on account of scholarship/ unspent funds from students. However, disclosure of the total refund receivable was not given in the Financial Statements.

Table-I Audit Profile of IGNITE

(Rs in Million)

S No	Description	Total Nos	Audited	Expenditure audited (FY 2022-23)	Revenue/receipt audited (FY 2022-23)
1	Formations	01	01	1483.000	2,845.380
2	• Assignment Accounts • SDAs	01	01	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	1483.000	2,845.380
4	Foreign Aided Projects (FAP)	-	-	-	-

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,348.725 million were raised in this report during the current audit of IGNITE. This amount also includes recoveries of Rs 77.580 as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S.No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-

3	Irregularities	**968.889**
A.	Procurement related irregularities	968.889
4	Value for money and service delivery issues	**33.434**
5	Others	**346.402**
Total		**1,348.725**

6.3 Status of Compliance with PAC Directives

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

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

AUDIT PARAS

6.4 Irregularities

A. Procurement related irregularities

6.4.1 Irregular award of contract of National Incubation Centre for Aerospace Technologies -Rs 968.889 million

According to rule 31(1) of PPRs 2004, no bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid. Further, Rule 38B stipulates that the procuring agency shall consider single bid in goods, works and services if it- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c) conforms to the technical specifications; (d) has financial conformance in terms of rate reasonability:

The Ignite Company under the MoITT invited proposals for establishment of National Incubation Centre, Rawalpindi for Aerospace Technologies on 30.04.2022. Only one proposal of M/s Netsol Technologies Limited was received which was qualified by the technical evaluation committee on 14.07.2022. The financial proposal of the bidder was opened on 17.08.2022. The bid evaluation committee found that there were computational errors, miscalculations of the amounts of withholding tax and GST as well as non-required expenses in the bid. The committee concluded that all the required corrections would change the substance of the bid which was not allowed under PPRs-2004 (amended 2021). An amount of Rs 93 million was paid to M/s Netsol Technologies during the FY 2022-23.

Audit examined the tender documents and observed that:

i) The contract was awarded on the basis of single bid. Neither price reasonability of the financial proposal was ensured nor was any feasibility study with regard to calculation of provisional cost conducted.

ii) The Ignite Company negotiated with the bidder, allowed him to remove the remuneration of five members of PMU and steering committee honorarium of Rs 33.567 million and allowed him to insert corrections pointed out by the bid evaluation committee.

iii) Instead of retendering, the Ignite Company awarded the contract by reducing the bid amount from Rs 1149.206 million to Rs 968.889 million for establishment of NICAT, Rawalpindi.

Audit contends that the Ignite Company awarded an irregular contract in total disregard to the procurement rules, 2004.

Audit reported the matter to the management and PAO during October, 2023. It was replied that the Board in its 92^{nd} meeting directed the management to obtain response from PPRA. In the light of the directions given by the Board, Ignite sought clarification from PPRA through letter dated 09.09.2022. PPRA responded that “Procuring Agency will rectify the obvious errors during evaluation process”. Based on the resolution of the BoD and PPRA response, the contract was awarded to M/s Netsol, Technologies for Rs 968 million.

The reply is not tenable. PPRA did not give opinion for acceptance of the bid; rather PPRA advised to rectify the obvious errors during evaluation process and stated that opinion of the PPRA might not be considered in any way as the regulatory concurrence for the instant procurement. Further, substance of the bid was changed due to elimination of items which were not allowed by the PPRA vide its clarification issued on 16.09.2022.

The matter was discussed in DAC meeting held on 11^{th} January, 2024. The DAC after due deliberations pended the para.

Audit recommends that an inquiry be conducted at Ministry level to fix responsibility against those held responsible(s) and the outcome be shared with audit.

(DP No. 70)

6.5 Value for money and service delivery issues

6.5.1 Unjustified waiver of revenue contribution by NIC Quetta-Rs 33.434 million

According to clause 1.1.14 of Funding agreement signed between M/s LUMS and M/s Ignite Company, project portfolio means the detailed description and plan for the project approved for funding by the Company and attached to this agreement as Annexures. The Project Portfolio consists of project proposal approved by the Company (appendix A) Further, according to Financial Proposal for NIC Quetta, the bidder shall generate revenue for self-sustainability in the year 3,4 & 5.

The Ignite Company under the MoITT, Islamabad hired the services of M/s LUMS Lahore to establish and maintain National Incubation Centre (NIC) at Quetta. The agreement was signed on 21-02-2018 for five years. According to the financial proposal, LUMS Lahore was required to realize the revenue of Rs 33,434,940 (15,402,425 +18,032,515) in Year 4 & Year 5 for self-sustainability of NIC Quetta to offset operating expenses.

Audit observed that M/s LUMS Lahore failed to realize the revenue of Rs 33,434,940 during the years 4 & 5 to offset the operating expenses. Audit further revealed that M/s LUMS Lahore submitted waiver request to the Finance and Procurement Committee on the plea that NIC Quetta could not generate revenue due to COVID-19 pandemic; therefore, their realization of revenue could be waived off. The Finance and Procurement Committee approved the change request and waived off the revenue accordingly.

Audit contends that Ignite Company did not insert performance guarantee clause in the contract with M/s LUMS Lahore to take action against non-achievement of the deliverable of revenue realization; instead, the Ignite Company waived off the revenue and affected the value it could add to the organization.

Audit reported the matter to the management and PAO during October, 2023. It was replied that the impact of COVID-19 on startups and businesses was profound, affecting their ability to generate revenue. The FPC, recognizing the exceptional circumstances, made a decision to waive off revenue during this period and this decision was subsequently endorsed by the Board itself.

The reply is not tenable. The Finance and Procurement Committee waived off the revenue of years 4^{th} & 5^{th} when Covid pandemic had ended. Non realization of the revenue and its waiver also impacted the financial proposal of the bidder upon which the tender was awarded.

The matter was discussed in DAC meeting held on 11^{th} January, 2024. The DAC directed the Ignite management to obtain a detailed report showing the efforts made by the LUMS to generate the revenue for self-sustainability and share it with audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for the Audit year 2021-22 vide para number 5.4.1 having financial impact of Rs 157.620 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 77)

6.6 Others

6.6.1 Non-capitalization of capex expenditure- Rs 302.257 million

According to Rule 14 of Corporate Governance Rules, 2013, the Chief Financial Officer shall be responsible for ensuring that appropriate advice is given to the Board on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. Further, as per clause 10.1 of contract agreements all property, movable, immovable, tangible or otherwise acquired or purchased by utilizing sums representing the Grant, and all deliverables at any stage of the progress of the project and whether in draft form or completed (the “Equipment”) shall be assigned to the Company.

The Ignite Company under MoITT, Islamabad hired the services of M/s Fauji Fertilizer Company, M/s PTCL and M/s Netsol Technologies Ltd for establishment and maintenance of National Incubation Centers (NICs) at Faisalabad, Hyderabad and NICAT Rawalpindi respectively and transferred an amount of Rs 302.257 million to the vendors under the head-Capex to acquire physical assets as detailed below:

(Rs) in Million

S.No	Project Name	Capex Amount
01	NIC Faisalabad	76.625
02	NIC Hyderabad	107.645
03	NICAT	117.987
Total		**302.257**

Audit observed that neither the NICs capitalized the acquired physical assets in their books of accounts nor the Ignite Company recognized the capex funds released to the NICs in the financial statements of the Company.

Audit contends that as per contract agreement, the physical assets acquired by the NICs would become assets of the Ignite Company after completion of the projects. Since, the NICs and the Ignite Company had not recognized the acquired physical assets, both NICs and the Ignite Company understated their physical assets in their financial statements.

Audit reported the matter to the management and PAO during October, 2023. It was replied that the Company prepared annual financial statements as per guidelines of Code of Corporate Governance, 2013 and International Accounting Standards. The accounting treatment of all NIC projects in Ignite books of accounts were audited by the external auditors such as KPMG and A.F. Ferguson & Co chartered Accountants and had issued an unqualified opinion.

The reply is not tenable. All the assets procured by the NICs were the ownership of the company and were required to be returned by the NICs to the Ignite Company on the completion of the contract period.

The matter was discussed in DAC meeting held on 11th January, 2024. The DAC directed the Ignite management to seek the opinion of an independent AAA rated CA Firm and share it with audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the MFDAC for the Audit year 2021-22 vide para number 5.12 having financial impact of Rs 606.576 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 72)

6.6.2 Non-recovery of outstanding dues on account of R&D Fund – Rs 44.145 million

According to clause 4.1 of Long Distance International (LDI) License issued under Section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, the Licensee shall contribute to the R & D Fund, an amount calculated on the basis of 0.5% of the Licensee's gross revenue from Licensed Services for the most recently completed financial year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. Further, clause 4.4.1 stipulates that the licensee shall make this contribution within 120 days at the end of financial year.

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

Audit observed that R&D Fund Management failed to recover an amount of Rs 44,145,047 on account of R&D contributions against the billing issued to the telecom operators during FY 2022-23.

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

Audit reported the matter to the management and PAO during October, 2023. It was replied that recovery from the operators is an ongoing mechanism. This Ministry has already requested PTA to initiate necessary actions for the recovery of the outstanding dues from operators. As of today, no recovery has been made from the operators and this Ministry has also issued reminders.

The reply is not tenable. The Fund was established to manage the affairs of the R&D fund. However, audit did not find any evidence of efforts made by the fund management to recover the outstanding dues.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC directed the Ignite management to recover the outstanding dues from the operators and get it verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 74)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-7

NATIONAL TELECOMMUNICATION CORPORATION (NTC)

Chapter 7
National Telecommunication Corporation (NTC)
(MoITT)

7.1 Introduction

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

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

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

B) Comments on Budget and Accounts

7.1.1 NTC management has submitted the audited Financial Statements for the FY 2018-19 on 26-12-2023. NTC management could not finalize its Financial Statements for the financial years 2019-20, 2020-21, 2021-22 & 2022-23 till the finalization of this Audit Report.

Table-I Audit Profile of NTC

(Rs in Million)

S. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	11		11,746.560	11,709.100
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	11		11,746.560	11,709.100
4	Foreign Aided Projects (FAP)	-	-	-	-

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 9,253.743 million were raised in this report during the current audit of NTC. This amount also includes recoveries of Rs 1,012.593 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities (A+B)	**566.098**
A	HR/Employees related irregularities	97.811
B	Procurement related irregularities	468.287
4	Value for money and service delivery issues	-
5	Others	**8,687.645**
	Total:	**9,253.743**

7.3 Status of Compliance with PAC Directives

NTC				Compliance		%age
S. No	Audit Year	Total Paras	Total Directives	Received	Not Received	
1	1996-97	16	3	3	0	100
2	1997-98	11	11	11	0	100
3	1999-00	15	15	15	0	100
4	2000-01	17	17	17	0	100
5	2001-02	16	16	12	4	75
6	2004-05	16	16	16	0	100
7	SAR 2005-06	31	31	0	31	0
8	2005-06	15	15	15	0	100
9	2006-07	17	17	14	3	83
10	2007-08	13	7	0	7	0
11	2008-09	22	22	21	1	95
12	2009-10	18	18	7	8	39
13	2010-11	30	30	27	3	90
14	2011-12	98	98	19	79	19
15	2012-13	95	95	39	56	41
16	2013-14	40	40	5	35	13
17	2014-15	36	36	3	33	8
18	2015-16	18	18	2	16	11
19	2016-17	18	18	9	9	50
20	2017-18	23	23	15	8	65
21	2018-19	23	10	10	0	100
22	2019-20	19	19	3	16	16

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

AUDIT PARAS

7.4 Irregularities

A. HR/Employees related irregularities

7.4.1 Overpayment on account of illegal promotion-Rs 76.175 million

According to Regulation No. 2.26 of NTC Service Regulations, 2008, Corporation's employees who are not promoted for want of vacancy or do not have a channel of promotion and have remained in the same pay group in which they had joined/ promoted for seven years, would be promoted to next higher pay-group, provided they qualify other criteria for promotion. Promotion under this rule shall be allowed once in a post. On promotion, the post shall automatically be upgraded with same job description, whereas the upgraded post shall be abolished. On retirement or leaving service of the corporation, the upgraded post shall be automatically reverted to post in original pay-scale.

NTC, HQ under the MoITT, Islamabad promoted ninety-seven (97) Engineering Supervisors and five (5) Building Overseers of Group-IV to Group-VII of various NTC Directorates with effect from 25.02.2014 vide three different notifications.

Audit observed that the officials were illegally promoted from Group-IV to Group-VII instead of Group-V in violation of the above stated regulations, which caused an overpayment of Rs. 76,174,596 on account of fixation of increased basic pay.

Audit reported the matter to the management and PAO during October, 2023. It was replied that ES and BO were promoted as per their channel of promotion mentioned in NTC Service Regulation, 2008. No undue benefit in promotion has been granted.

The reply is not tenable as two 'grades' promotions were made in violation of NTC Service Regulations, 2008 which were approved by the Finance as well as Establishment Divisions.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to submit detailed reply to PAO as well as audit. No further progress was reported till finalization of this report.

Audit recommends that the matter be inquired to arrive at factual position and fix responsibility against the responsible (s); besides, recovery of overpayment under intimation to audit.

(DP No.16)

7.4.2 Irregular appointment of staff through internal circulation - Rs 21.636 million

According to Policy Guidelines approved by NTC Management Board in its 73rd meeting held on 10th February, 2011, local vacancies may be published in local newspaper, regional vacancies in the region concerned and for wide publication advertisement may preferably be released on Sunday. Vacancies must be placed on government as well as NTC website and also circulated amongst NTC employees.

NTC, HQ under the MoITT, Islamabad appointed fourteen (14) employees through internal circulation. An expenditure of Rs. 21,636,480 was incurred on account of pay & allowances of the newly recruited employees with effect from 01.05.2022 to 30.06.2023.

Audit observed that the appointments were made through internal circulation instead of open advertisement and wide publicity in violation of the above rules.

Audit contends that non-adherence to Policy Guidelines approved by NTC Management Board led to irregular appointments.

Audit reported the matter to the management and PAO during August, 2023. It was replied that the appointments were made through internal circulation as per the provision of Rule No. 2.6(d)(iii) of NTC Service Regulations 2008.

The reply is not tenable. The appointments were made in violation of the approved policy guidelines, approved by the NTC management Board.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC took serious view of the appointment through internal circulation and directed the management to examine the case and submit a report to Ministry as well as audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2021-22 & 2022-23 vide paras No.6.4.2 & 7.5.1 having financial impact of Rs. 5.958 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.255)

B. Procurement related irregularities

7.4.3 Irregular public-private partnership and payment - Rs 292.621 million

According to Rule 13 (3) of Public-Private Partnership Act (P3A), 2017, the implementing agency shall submit the bid documents and project proposal for approval of the Board of Public Private Partnership Authority. Rule 13 (4) ibid stipulates that once the project proposal is approved by the Board, the implementing agency shall procure the project in accordance with provisions of the Act.

NTC HQs under MoITT, Islamabad executed a Public-Private Partnership (P3) agreement with M/s Khazana Enterprises (Pvt) Ltd. (KEL) on 31.03.2021 for provision of digital solution services. Services related to Pakistan Emergency Helpline (PEHL)-911 were also included through an addendum dated 01.10.2021. A payment of Rs. 292,621,451 was made to M/s KEL during FY 2022-23 on account of services provided for PEHL-911.

Audit examined the P3 agreement and found that the P3 agreement was executed with a non-licensed telecom operator (M/s KEL), without prior approval of the project proposal, bid documents and partnership agreement from the Board of Public Private Partnership Authority (P3A). Further, M/s KEL got registered with SECP on 01.01.2020 by providing a false information about its official address: 6-Race Course Road, NTC Regional Office Lahore; though at the time of registration M/s KEL was not the tenant of NTC.

Audit contends that NTC executed P3 agreement with M/s KEL in total disregard to P3A.

Audit reported the matter to the management and PAO during August, 2023. It was replied that departmental fact-finding inquiry had been ordered by MD NTC.

The management accepted the audit contention; however, outcome of the fact-finding inquiry could not be furnished till finalization of this report.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to complete the process of fact-finding inquiry before 31.01.2024 and outcome be shared with PAO & audit.

Audit recommends implementation of DAC directives.

(DP No.14)

7.4.4 Unauthorized expenditure incurred on media services - Rs. 117.020 million

According to Rule 12 (2), all procurement opportunities over three million Rupees should be advertised on 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. Further, as per Rule 16-A (4), open and closed framework agreements may be made with the selected suppliers and service providers. Maximum duration of open framework agreements shall not be more than three years and the closed framework agreements shall not exceed one year.

Five (05) formations of NTC hired media services from six (06) telecom operators for provision of various telecommunication services to its subscribers. A payment of Rs. 117,019,828 was made to the service providers during FY 2022-23 as detailed below:

S. No.	PDP No.	Amount
1.	19-2024	102,657,091
2.	264-2024	14,362,737
Total		**117,019,828**

Audit examined the relevant record and observed that the media and circuits were hired without open tender and were allowed to provide services on extension basis beyond three years in violation of the above rules.

Audit contends that NTC hired and extended the services of media and circuits in total disregard to PPRs 2004.

Audit reported the matter to the management and PAO during August, 2023. It was replied against S.No.1 that the subject ccontract was signed in 2018 based on PPRA Rules applicable at that time which did not put any limitations on framework agreement. Now, after completion of previous contract timelines, fresh tender has been floated and new contract has been signed with successful bidder on 01-09-2023. With reference to M/s Mispl Multan, M/s Wateen Telecom & M/s Nayatel relating to S.No.2, the arrangement for leasing of the services was availed from PTA licensed operators as per PTA regulations to facilitate NTC's designated customers.

The reply is not tenable as the works were awarded without open tenders and the contract agreements were extended beyond three years in violation of PPRs. Further, DAC in its meeting held on 17th & 20th January, 2023, while discussing PDP No. 18-2023 being similar in nature, directed the management that necessary clarification by specifying the contents of audit observation be obtained from PPRA under intimation to Audit. No clarification was sought till date.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC upheld its earlier decision dated 17 & 20.01.2023 and directed the management that necessary clarification by specifying the contents of audit observation be obtained from PPRA under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2022-23 vide para-No.7.5.3 having financial impact of Rs 6.364 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.19 & 264)

7.4.5 Mis-procurement of MIS solution - Rs. 58.646 million

According to Rule 42 (c) of PPRA, a procuring agency shall only engage in direct contracting if the following conditions exist, namely:- (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources; (ii) only one manufacturer or supplier exists for the required procurement: Further, Rule 40 (2) ibid stipulates that Authority may determine the extent and types of negotiations on procurement by regulations.

Federal Seed Certification & Registration Department (FSC&RD) executed a contract agreement with NTC HQs for establishment of consumer sourcing seed authenticity system on 01.04.2022. NTC HQs outsourced the task through direct contracting to M/s Khazana Enterprises (Pvt) Ltd. (KEL) on 22.06.2023 to develop a solution, named, Digital Seed Tracking and Tracing Software. The financial proposal of M/s KEL of Rs. 88,009,999 was on higher side; therefore, the cost was negotiated with the firm through a negotiation committee to bring it within the permissible limit of the approved

PC-1. M/s KEL agreed to reduce the cost to Rs. 58,646,000 and accordingly the contract was awarded. An advance payment of Rs. 32,106,200 was made to M/s KEL.

Audit examined the procurement documents and found that the contract was awarded through direct contracting and negotiations with M/s KEL.

Audit contends that MIS solution was neither sensitive item nor emergently required to be procured through direct contracting. Audit further holds that negotiations on the cost of the MIS solutions were not permissible under the PPRs. Moreover, M/s KEL was not the OEM of MIS solution.

Audit reported the matter to the management and PAO during August, 2023. It was replied that departmental fact-finding inquiry had been ordered by MD NTC. Outcome will be shared accordingly.

The management accepted the audit contention; however, the outcome the fact-finding inquiry could not be furnished till finalization of this report.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to complete the process of fact-finding inquiry before 31.01.2024 and share the outcome with PAO and Audit.

Audit recommends implementation of DAC directives.

(DP No.17)

7.5 Others

7.5.1 Un-authorized expenditure without approval of the budget - Rs 5,630.320 million

According to Section 12 of Pakistan Telecommunication (Reorganization) Act, 1996, NTC shall, in respect of each financial year, prepare its own budget and submit to the Federal Government three months before the commencement of every financial year for approval. As per Delegation of Powers (DoP) dated 01.01.1999, Director Finance & Budget, NTC was not delegated powers of financial concurrence. Further, as per para 3 of Establishment Division OM No. 3/15/2016-R-II dated 09.04.2021, “certain financial and administrative powers can only be exercised by an officer to whom additional/ current charge of the post is entrusted in the prescribed manner. An officer looking after the work cannot exercise such powers as he has not been delegated with such powers by the competent authority”.

NTC HQs submitted revised budget estimates for FY 2021-22 and budget estimates for FY 2022-23 to MoITT, Islamabad on 27.05.2022 for the approval of the federal government. NTC incurred an expenditure of Rs.5,630.320 million during the FY 2022-23.

Audit examined the budget proposals and observed that:

i. NTC incurred an unauthorized expenditure of Rs. 5,630.32 million, as the budget for FY 2022-23 had not so far been approved by the federal government despite closure of the financial year.

ii. NTC assigned the look after charge of the post of CFO, NTC to Director (Finance & Budget) w.e.f. 29.12.2022 in addition to his own duties. The incumbent Director granted financial concurrence of Rs.4,681,914,854 with effect from 29.12.2022 to 30.06.2023 as CFO in violation of the above instructions of Establishment Division as no financial powers were delegated to the Director.

Audit contends that due to weak financial discipline and internal controls NTC incurred un-authorized expenditure without approved budget and authorization of financial concurrence to the Director (Finance & Budget).

Audit reported the matter to the management and PAO during August, 2023. It was replied that the budget for FY 2022-23 is under process of approval and would be intimated to audit accordingly. It was further replied that to fill the post of CFO, matter has been taken up with

MoITT for appointment of CFO either through direct induction or on deputation basis since Sept, 2019.

The reply is not tenable. The budget estimates for FY 2022-23 were not approved. Further, Director (Budget & Finance) couldn't grant financial concurrence under the rule. The position of CFO was not filled till finalization of the report.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to get the budget approved from the Cabinet Division through ECC. Further, post-facto approval of financial concurrence given by Board be provided to audit, besides approval of revised service regulation within 60 days. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.11)

7.5.2 Un-authorized investment of NTC funds – Rs 1,950 million

Section 41 (9) of Pakistan Telecommunication (Re-organization) Act 1996, clearly states that "any surplus receipt over actual expenditure in a year shall be remitted to Federal Consolidated Fund (FCF) and any deficit from actual expenditure shall be made up by Federal Government". Further, as per para 2 of Finance Division's letter dated 18.05.2022, no authority shall transfer public monies for investment or deposit from Government Account including the assignments accounts to other bank account without prior approval of the Federal Government.

NTC HQs under the MoITT, Islamabad invested a huge balance of Rs.1,950,000,000 through term deposit receipts (TDRs) in two commercial banks in May, 2023 as detailed below:

S. No	Name of Bank	Issue Date	Due Date	Amount (Rs)
01	Bank of Punjab, Blue Area, Islamabad	02-05-23	02-11-23	1,200,000,000
02	NBP Jinnah Avenue Islamabad	23-05-23	23-08-23	750,000,000
Total				**1,950,000,000**

Audit examined the investment of surplus funds and observed that:

(i) NTC invested the surplus fund without authorization of Finance Division and in violation of the above stated rules.

(ii) NTC was required to remit the surplus receipts to Federal Consolidated Fund as on 30.06.2023; instead NTC invested the surplus receipts on terms deposit basis in violation of the rules.

(iii) NTC did not surrender the bank balances to the Finance Division under the new cash management regime introduced by the Federal Government w.e.f, July, 2020.

Audit contends that NTC invested funds in disregard to the provisions of Pakistan Telecommunication (Re-organization) Act, 1996 and instructions of Finance Division which reflects weak financial discipline.

Audit reported the matter to the management and PAO during August, 2023. It was replied that the Finance Division (Expenditure Wing) vide its letter dated January 02, 2023 has already declared NTC as an autonomous body of MoITT and at present, it is not included in TSA list. Accordingly, NTC has been allowed to operate as per existing arrangements till the finalization of TSA framework. However, the case has also been forwarded to MoITT for further clarification from Finance Division vide letter dated November 16, 2023. Reply will be shared with Audit as and when received from MoIT.

The reply is not tenable. NTC did not furnish justification for investment of surplus funds. Besides, the Finance Division has already introduced a sweeping arrangement in lieu of TSA for autonomous bodies which was not adopted by NTC.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to seek necessary clarification, by specifying the contents of audit observation, from Finance Division under intimation to audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the MFDAC Report for Audit Year 2022-23 vide para-No.7.5.9 and Audit Reports for Audit Year 2012-13, 2013-14, 2014-15, 2015-16, 2017-18, 2018-19, 2021-22 vide paras No.5.13, 3.30, 5.11, 5.3.1, 5.5.1, 5.4.1 & 6.5.2 having financial impact of Rs 13,214.022 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.12)

7.5.3 Non-recovery of revenue receipts – Rs 897.220 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.

NTC under the MoITT, Islamabad provided telecommunication services to the designated customers including federal and provincial governments, defence services and other government agencies.

Audit examined the relevant revenue record of four (04) formations and observed that an amount of Rs 978,527,979 on account of building/standard rents/electricity charges was not recovered by NTC from various telecom operators, government departments, Data Centre, tenants and unauthorized occupants etc during FY 2022-23. The detail of outstanding amounts as on 30.06.2023 is given as under:

S. No.	PDP No.	Description	Amount (Rs)
1.	13-24	Outstanding dues of PEHEL-911 project.	670,580,000
2.	249-24	Outstanding revenue against Data centre	127,032,466
3.	251-24	Non recovery of Quarter rent	1,359,696
4.	252-24	Outstanding dues from CDNS	4,017,523
5.	263-24	Non recovery of revenue receipts	65,516,833
6	250-24	Non recovery from PTCL	110,021,461
TOTAL			**978,527,979**

Audit contends that non-recovery of the dues from telecom operators, government departments, tenants, unauthorized occupants and Data Centre reflects weak financial discipline and receivable management.

Audit reported the matter to the management and PAO during August and September, 2023. It was replied that an amount of Rs 127.724 million was already recovered.

The management accepted the audit contention and recovered an amount of Rs 127.724 million, out of which an amount of Rs 103.308 million was verified by audit; therefore, the para was reduced to the extent of outstanding amount.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management that hectic efforts be made to recover the amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.13, 249, 250, 251,252, & 263)

7.5.4 Unjustified disbursement of bonus –Rs 94.732 million

According to Regulation 3.7 of National Telecommunication Corporation Employees (Service) Regulations, 2008, NTC employees falling in the definition of workers shall be allowed bonus subject to earning of profit with the approval of NTC Management Board. The bonus for officers of NTC shall be paid with the concurrence of Finance Division.

Further, as per Finance Division letter dated 14.07.2017, the salary package of Management Positions Scales (MP-Scales) had been approved by the Prime Minister which does not include payment of bonuses to MP-Scales officers.

NTC HQs under the MoITT, Islamabad approved and disbursed a bonus amount of Rs.94,731,644 to its employees during FY 2022-23.

Audit observed that the bonus was paid without the approvals of the NTC budget for FY 2022-23 by the Federal Government, Finance Division and the NTC Management Board. Further, an inadmissible bonus payment of Rs. 466,950 was made to ex-MD NTC as he was appointed on MP-I scale by the federal government and could draw bonus with the prior approval of federal government.

Audit contends that NTC paid bonus to its employees in disregard to the NTC ESR-2008 and Finance Division's instructions.

Audit reported the matter to the management and PAO during August, 2023. It was replied that on the basis of performance of the Corporation, the honourable Federal Minister for Information Technology & Telecomm announced grant of bonus to all employees @ one month's basic pay during a ceremony held on 20-06-2023, with the direction to pay the same before Eid-ul-Azha. The case for grant of bonus for the Year 2022-23 to NTC employees will be placed before the NTC Management Board for its post-facto approval.

The reply is not tenable. NTC did not prepare financial statements to authenticate the profit earned. NTC also did not remit the profit earned to Federal Consolidated Fund to ensure that it had earned profit, upon which the bonus was allowed. Moreover, the management did not furnish reply for the bonus paid to the ex-MD NTC.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to provide the detail of profit earned amounting to Rs 811 million to audit. Further, the matter be placed before the Board for post-facto approval. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.15)

7.5.5 Non-receipt of funds from Government of the Punjab for PEHEL-911 - Rs 57.849 million

According to clause 5 (a) of tripartite agreement among MoI, MoITT and NTC for the execution of PEHEL-911, payment will be made on yearly basis in advance in favour of NTC account subject to an approval in the prescribed manner. Further, as per Punjab Home Department Letter dated 10.07.2023, the Provincial Cabinet of Punjab province approved the closure of PEHEL-911 in its 18th meeting held on 21.06.2023.

NTC HQs under the MoITT, Islamabad executed a Public-Private Partnership agreement with M/s Khazana Enterprises (Pvt) Ltd (KEL) for provision of digital solution services on 31.03.2021. Services related to Pakistan Emergency Helpline (PEHEL) - 911 was also included through an addendum on 01.10.2021. A payment of Rs. 57,849,308 was made to M/s Khazana Enterprises during the FY 2022-23.

Audit examined the relevant record and observed that the contract was awarded to M/s KEL in anticipation of receipt of funds and execution of proper agreement with the Government of Punjab for provision of PEHEL services. Audit further revealed that the Government of Punjab closed the project as intimated vide above referred letter.

Audit contends that due to weak receivable and contract management NTC did not manage to receive the funds from the Government of the Punjab.

Audit reported the matter to the management and PAO during August, 2023. It was replied that decision of the Provincial Cabinet on the subject matter was under process. Further, payments to M/s KEL were made in accordance with NTC contract for the services rendered.

The reply is not tenable. NTC awarded the service contract to M/s KEL in anticipation of receiving funds and executing agreement with the Government of the Punjab.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management that hectic efforts be made to recover the outstanding amount under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.18)

7.5.6 Non-recovery of outstanding dues from the subscribers – Rs 57.524 million

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

NTC under the MoITT, Islamabad provided telecommunication services to various subscribers of Working, Closed, WLL, Digital Subscriber Lines (DSL), Casual Telephone Connections, Primary Rate Interference (PRI) and Unidentified Connections.

Audit examined the record relating to outstanding dues in six (06) formations of NTC and observed that an amount of Rs163,560,025 was lying outstanding against various subscribers as on 30.06.2023 as detailed below:

S. No	Name of Unit	Amount (Rs)
1.	Director NTC Peshawar	52,682,545
2.	Director NTC Islamabad	41,161,808
3.	Director NTC Lahore	37,322,576
4.	Director NTC Karachi	16,518,625
5.	Director NTC Rawalpindi	11,398,334
6.	Director NTC Multan	4,476,137
Total		**163,560,025**

Audit contends that due to weak receivable management NTC failed to recover the captioned amount.

Audit reported the matter to the management and PAO during September and October, 2023. It was replied that out of observed amount of Rs.163.560 million an amount of Rs.106.036 million has been recovered. Hectic efforts are being made to recover the balance amount of Rs.57.523 million.

The management accepted the audit contention and recovered an amount of Rs 106,036,238 which was verified by audit; therefore, the para was reduced to the extent of outstanding amount.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management that hectic efforts be made to recover the remaining amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No.262)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-8

SPECIAL COMMUNICATIONS ORGANIZATION (SCO)

Chapter-8

Special Communications Organization (SCO)

(MoITT)

8.1 Introduction

A) Special Communications Organization was established in July, 1976 for the operation, expansion, maintenance and modernization of telecom system in Gilgit-Baltistan and Azad Jammu & Kashmir through an executive order of the Prime Minister of Pakistan on 10.05.1976. It is managed by a Project Management Board under the Chairmanship of Signal Officer-in-Chief. It falls under the administrative control of Ministry of Information Technology and Telecommunication (MoITT).

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

B) Comments on Budget and Accounts

8.1.1 SCO does not prepare Financial Statements on the pattern of state-owned enterprises (SOEs) and prepares statement of receipts and expenditure account only which is audited by this office and accordingly comments are offered. The expenditure statement of SCO for the FY 2022-23 revealed that there was a saving of Rs 10.728 million under different heads of accounts of Development and Non-Development expenditure which were not surrendered to the Finance Division. The budget system is not based on IPSAS standards. The budget system has been kept so flexible that unauthorized re-appropriations are being frequently made which results in mis-reporting of the revised budget estimates.

Table-I Audit Profile of SCO

(Rs in Million)

S. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts Audited FY 2022-23
1	Formations	11	05	8,001.073	6,130.370
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	11	05	8,001.073	6,130.370
4	Foreign Aided Projects (FAP)	-	-	-	-

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,110.878 million were raised in this report during the current audit of SCO. This amount also includes recoveries of Rs 163.716 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities (A+B)	**515.506**
A	HR related irregularities	17.070
B	Procurement related irregularities	498.436
4	Value for money and service delivery issues	-
5	Others	**2,595.372**
	Total:	**3,110.878**

8.3 Status of Compliance with PAC Directives

SCO				Compliance		%age
S. No	Audit Year	Total Paras	Total Directives	Received	Not Received	
1	1992-93	22	22	18	4	82
2	1997-98	4	4	4	0	100
3	1999-00	7	7	7	0	100
4	2000-01	5	5	5	0	100
5	2001-02	5	5	5	0	100
6	2005-06	9	9	9	0	100
7	2008-09	14	14	14	0	100
8	2009-10	10	10	10	0	100
9	2010-11	16	16	13	3	81
10	2011-12	19	19	14	5	74
11	2012-13	28	28	14	14	50
12	2013-14	22	22	5	17	23
13	2014-15	10	10	3	7	30
14	2015-16	10	10	5	5	50
15	2016-17	6	6	3	3	50
16	2017-18	8	8	8	0	100
17	2018-19	13	8	8	0	100
18	2019-20	23	23	7	16	30

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

AUDIT PARAS

8.1 Irregularities

A. HR /Employee related irregularities

8.4.1 Inadmissible payments to project employees-Rs 12.507 million

According to Para No (xv) of Finance Division (Regulation Wing) Govt. of Pakistan letter No F.No.4(9) R-14/2008 dated 18.04 2022, this pay package will not be admissible to those project employees whose services/posts are transferred to the non-development side after completion of the project from the date of their transfer. Further, Para xvii *ibid* stipulates that, on transfer of project posts to the non-development side, such posts shall be filled in the prescribed manner in regular Basic Scale and incumbents of such posts shall be treated as fresh employees of the Ministries/Division/ Departments. Para xviii further describes that if an employee of the project is selected for a post on the non-development side, he will be appointed at the initial stage of the relevant basic pay scale, and his pay and services rendered in the project shall not be protected /counted for any purpose i.e. pay, pension and seniority etc.

SCO, HQ under the MoITT, Islamabad completed eleven (11) PSDP projects and were listed in the recurring category of projects. Audit selected a sample of five (5) projects and found that inadmissible payment of Rs 12,506,834 on account of pays and allowances was made to the project employees after irregularly transferring to recurring side as under:

i. The projects posts were not filled in the prescribed manner as required to make fresh appointments under regular basic pay scales.

ii. The pay and allowances on non-development side were required to be fixed at initial stage of respective basic pay scales but the management protected the pay of the project employees and fixed their pay and allowances at enhanced rates.

Audit holds that non-filling of the project posts in the manner prescribed for initial appointments, protection of the project pay and non-fixing of their pay at initial stage of the basic pay scales caused inadmissible payments that reflect weakness of the financial discipline and internal control structure.

The matter was reported to the management and PAO during September to December, 2023. It was replied that all project employees employed on development side were transferred to non-development on closing of respective projects and their services, pay and seniority were not counted for previous services rendered on development side. Furthermore, eleven PSDP projects were transferred to non-development side prior to instructions of Finance Division. However, point observed by audit staff (P&TS) is noted for future compliance.

The reply is not tenable as the projects were completed during FY 2022-23 and all the project employees were allowed to carry on with increased pay and allowances.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management that record relating to sanctioned posts approved by Establishment Division, advertisement, test, and pay fixation at initial pay of respective basic pay scale may be provided to audit for verification.

Audit recommends implementation of DAC directives.

(DP No. 187)

8.4.2 Irregular appointments and expenditure - Rs 4.563 million

According to Para 1e (iv) of Establishment Division Cabinet Secretariat, Islamabad's letter No F.53/1/2008-SP 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. SCO advertised the posts as per following advertisements:

S. No	Advertisement	Name of Post	Required Qualifications	Experience
1	02.09.2022	Field technician	Diploma in Electrical/Electronics /Communication	Hands on Experience
2	09.11.2022	Sr. Project Manager	MBA Marketing	15-20 years exp. of Business Administration (Marketing)
3	03.07.2022	Field Engineer	BE/BSc/ Telecom	3 Years' experience of O&M Telecom
4	03.07.2022	Project Manager	BE/BSC (Telecom) HEC recognized University	Minimum 3 years' experience

SCO, HQ under the MoITT, Islamabad appointed ten (10) Field Technicians, Project Managers & Sr Project Managers. An amount of Rs 4,563,200 was paid to the employees during FY 2022-23.

Audit observed that the employees were irregularly appointed in disregard to the instructions /criteria conveyed by Establishment Division related to prescribed qualifications and experiences as well as the eligibility criteria mentioned in the advertisements.

Audit holds that non-filling of the project posts in the prescribed manner reflects weakness of the internal control structure.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the vacancies for appointment of field technician were advertised in newspapers having qualifications of DAE electronic/ electrical but the selected individuals having higher qualifications were appointed on low pay package in the interest of the organization.

The reply is not tenable as the appointments were made against the defined criteria mentioned in the instructions of Establishment Division and advertisements.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to strictly follow the criteria mentioned in PC-I and regularize the appointment /expenditure from PMB.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 7.4.4 having financial impact of Rs 2.040 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 186)

B. Procurement related irregularities

8.4.3 Non-transparent hiring of consultancy services -Rs 298.437 million

According to Rule 38 of PPRs 2004 (amended 2021), the bidder with the most advantageous bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity. Further, Rule 38A ibid stipulates that bid discount shall be omitted.

SCO, HQ under the MoITT, Islamabad awarded two contracts for consultancy services to M/s TPM Consultant and M/s A Hamson Pvt. Ltd during FY 2022-23 as detailed below:

(Rs in Million)

S.No	PDP No	Contractor Name	Original Bid	Discounted Bid
1	195-2024	M/s A Hamson	762.925	283.665
2	168-2024	M/s TPM Consultant	16.786	14.772
Total			**779.711**	**298.437**

Audit observed that:

i. In the contract at S.No.1, M/s NERA had offered a bid price of Rs 283.665 million, whereas M/s A Hamson had offered a bid price of Rs 762.925 million. The SCO management did not award the contract to M/s NERA being lowest and held negotiations with both the bidders subsequently. M/s NERA reduced the bid price to Rs 271.949 million, whereas M/s A Hamson offered a discounted price of Rs 283.665 million, the SCO management awarded the contract to M/s A Hamson.

ii. The contract at S.No 2 of the table was awarded to M/s TPM Consultant on the basis of single bid at negotiated price of Rs 14.772 million in violation of the PPRs-2004.

Audit contented that SCO mis-procured the consultancy services in total disregard to the procurement rules which reflects weak internal control structure.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the contract was awarded to M/s A Hamson (Pvt) Ltd. and M/s TPM Consultant after fulfilment of PPRA formalities. No negotiation was made with consultant; however, the Consultants themselves offered discounts before opening financial bids which was accepted as per PPRA Rule 38A.

The reply is not tenable. Rule 38 A of PPRs 2004 (amended 2021) provides for omission of bid discount.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC showed serious concerns for hiring of consultancy services and directed to conduct a fact-finding inquiry besides submission of revised reply along with documentary evidences to audit within one week.

Audit recommends implementation of DAC directives.

(DP No. 168 & 195)

8.4.4 Mis-procurement of Web Monitoring System –Rs 200 million

According to Rule 12(2) of PPRs-2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further, Rule 50 ibid stipulates that any unauthorized breach of these rules shall amount to mis-procurement.

The Special Communication Organization, HQ under the MoITT, Islamabad made an agreement with M/s Celmore Technologies (Pvt) Ltd, Islamabad for supply, installation, operation and maintenance of Web Monitoring Solution amounting to Rs 1,637,837,903 on 29.05.2023 for one year extendable for three years. SCO made a payment of Rs 200,000,000 under the head e-10 "Repair and Maintenance" to the contractor relating to Web Monitoring System. Audit observed that:

i) The contract was awarded without inviting open tender.

ii) The RFP and evaluated bid were neither available on record nor uploaded on PPRA web site.

iii) 2% performance security was not obtained from the contractor.

iv) The equipment was not propriety of the Licensee.

v) Complete Beneficial Ownership documents from the contractor exceeding 50 million were neither obtained nor uploaded on PPRA Web Site.

vi) 20% payment was shown made to the supplier upon delivery of hardware/software without documentary evidence.

vii) The payment was made without approval from the Project Management Board (PMB) as the DG SCO was competent for payment of up to 80 million.

viii) The renewed license and equipment etc were not provided by the vendor as at 30.06.2023.

Audit contends that SCO management did not adhere to the procurement rules, awarded the goods and service contract in a non-transparent manner due to weak internal control structure.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the tender was floated in two newspapers. Financial & Technical evaluations were signed by the board of SCO. M/s CETC is not registered in Pakistan and M/s Celmore is a co-partner of M/s CETC, therefore, M/s Celmore is hired for installation of WMS. The Approval for excess payment has already been accorded by PMB but minutes of PMB are awaited and will be shared on receipt.

The reply is not tenable as the contract was awarded in disregard to procurement rules in a non-transparent manner to M/s Celmore.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to provide complete documents uploaded on PPRA website, emergency certificate and PMB approval to audit for verification.

Audit recommends implementation of DAC directives.

(DP No. 180)

8.5 Others

8.5.1 Change of physical scope of projects without revision of PC-I-Rs. 1,195 million

According to para 2.46 of the chapter 2 of Manual for Development Projects, once approved, the procuring agency is required to implement the project in accordance with the PC-1 provisions. It has no authority to change or modify any approved parameters of the project.

SCO HQ under the MoITT, Islamabad executed two contracts with M/s A Hamson with a cost of Rs 283,651,152 and M/s ZTE with a cost of Rs 655,000,000 against the projects for Expansion of FTTH Services (GPoN) and Hybrid Power Solution (Solarization) respectively during FY 2022-23.

Audit examined the project documents, contract agreements and observed that:

i For the Project titled, "Expansion of FTTH Services (GPoN)", the PC-1 provided for expansion of FTTH services in three cities, namely, Muzafarabad, Mirpur & Gilgit but the contract agreement was signed for 12 new sites, namely, Gari Duppata, Baugh, Lasdana, Sharda, Chilum, Gakuch, Khaplu, Attmaqam, Tauobat, Naran, Bhimber & Karimabad without revision of PC-I. Audit noticed that equipment was purchased and payment was made thereof without laying of OFC.

ii For the project, "Hybrid Power Solution (Solarization)", sites were enhanced from 100 to 115 without revision of PC-I. Further, 100 Generator Sets were fixed in the PC-I, whereas SCO made agreement for 34 generators at a cost of Rs 162.056 million.

Audit contends that SCO changed the physical scope of the projects without revision of PC-I and purchased equipment without laying of OFC which reflects weakness of the contract management and internal control structure.

The matter was reported to the management and PAO during September to December, 2023. It was replied that FTTH Cards and ONTs were procured prior to laying of OFC due to ban on LC and without import of Cards laying of OFC could be useless. It was further replied that IPDR core was required to be installed at SCO H/Q and eleven (11) aggregate sites due to which PC-1 is being revised. Further, in case of Hybrid Power Solution (solarisation) for remote sites in GB was awarded to M/s ZTE for 100 sites not 115 sites. Due to various reason factors PC-I is being revised.

The management accepted the audit contention; however, evidence of revision of PC-1 could not be provided to audit.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to verify the record relating to the project sites and PC-I may be got revised from competent authority and get it verified from audit.

Audit recommends implementation of DAC directives.

(DP No. 182 &193)

8.5.2 Wasteful expenditure on procurement of LI/Web monitoring system - Rs 414.643 million

The PC-1 for the project, 'Protection and Up-gradation of Pak China OFC for cross-border connectivity (Dassu - Danyore Alignment Project No. III/2020-21)', approved on 06.04.2020 by DDWP, provided Rs 386.588 million for supply of LI/WMS equipment/system.

SCO HQ under the MoITT executed a contract agreement with M/s SNSKIES (Pvt) Ltd. for supply, installation, operation and maintenance of Web Monitoring Solution ("WMS") for Up-gradation and

Protection of Pak-China OFC project (dassu -danyore alignment) at a cost of Rs 414.643 million on 30.12.2020.

Audit examined the contract documents and terms and condition of the license and observed that the contract was awarded without the approval of SCO Project Management Board. Audit further observed that SCO did not renew the license of web monitoring system from M/s SNSKIES (Pvt) Ltd on its expiry after one year due to which the system remained idle and stopped working.

Audit holds that irregular execution of contract amid less appropriation of funds and non-renewal of the license from the proprietor reflect weakness of the internal control structure, due to which the Web Monitoring System didn’t run and the management failed to accomplish the project objectives.

The matter was reported to the management and PAO during September to December, 2023. It was replied that approval for excess payment has already been accorded by the Project Management Board (PMB), however, minutes of PMB is awaited and will be shared on receipt. WMS was installed for one year. As per contract agreement for second and third years a sum of US$ 994,079 was required to be paid to the contractor for the license which was not paid.

The management has accepted the audit contention; however, approval of PMB could not be provided till finalization of this report.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to provide approval of PMB and revised PC-I to audit for verification.

Audit recommends implementation of DAC directives.

(DP No. 205)

8.5.3 Non-payment of loan to EXIM Bank of China-Rs 358.407 million

According to Ministry of Finance, Revenue, Economic Affairs, Statistic & Privatization (Economic Affair Division) Govt. of Pakistan letter No F.1(189) EA/China-I/2009 dated 13.07.2016, interest rate @ 2 per annum, exchange risk fee against foreign loans relent @ 15% per annum inclusive of interest rate & exchange risk credit & commitment fee @ 0.2% per annum on the daily unutilized amount of loan will be payable by SCO against the loan agreement for cross border Optical Fiber Cable (OFC) System with Export-Import Bank of China.

SCO HQ under the MoITT, Islamabad acquired loan of US$44 million from Export Import bank of China for the project "Construction of Cross Border Optical Fiber Cable (OFC) System between China and Pakistan for International Connectivity of Voice/Data Traffic" during 2015 guaranteed by the Government of Pakistan. The project got completed on 01.03.2020.

Audit revealed that SCO didn't pay loan, commitment fee, exchange risk fee against foreign loan relent, management fee and interest thereon even after a lapse of eight (08) years which accumulated to a total liability of Rs 358,406,743 till date as per amortization schedule.

Audit contends that due to non-payment, the loan amount has compounded, which has caused a huge loss to the national exchequer.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the entire revenue earned by SCO was deposited in Govt. exchequer and no retention of money was made on this account. The applicable charges on account of loan to any other department from revenue were not allowed to SCO. Further, the case has already been taken up with MoITT and EAD for payment of loan liability by GoP.

The management accepted the audit contention; however, the loan liability to EXIM Bank has not paid as yet and the loan interest etc is piling up day by day.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to take up the matter with Economic Affairs Division through MoITT for setting up the modalities and get it verified from audit.

Audit recommends implementation of DAC directives.

(DP No. 190)

8.5.4 Unjustified expenditure without obtaining NOC for ROW-Rs 167.365 million

As per responsibility assignment matrix at S.No. 12 of the contract executed between SCO and M/s City Link Communications (Pvt) Ltd for replacement/deployment of 187 KM Optical Fibre Cable Network along Jaglote-Skardu via Shengus (Package-I GB), acquisition of NOC for Right of Way (ROW) from the concerned authority was the prime responsibility of the Contractor with the support of SCO.

SCO HQ under the MoITT, Islamabad made a contract agreement with M/s City Link Communications (Pvt) Ltd for replacement/deployment of 187 KMs Optical Fibre Cable Network along Jaglote-Skardu via Shengus (Package-I GB) for Rs 334.730 million on 21.05.2021.

Audit observed that NHA disallowed SCO to use its RoW without which laying of OFC at the given location could not be carried out. Audit, however, revealed that SCO paid Rs 167,365,000 to M/s City Links during FY 2022-23 against the contract and issued Provisional Acceptance Certificate (PAC) for execution of the work.

Audit contends that payment including RoW charges to the contractor without acquiring permission for use of RoW from NHA raises concerns about the authenticity of the expenditure and weakness of the contract management.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the Strategic Highway-1 Road from Jaglot-Skardu was approved by ECNEC including service gallery for SCO OFC. However, NHA did not construct service gallery despite repeated approach by SCO. After mutual negotiation, NHA allowed deployment of OFC along Jaglot - Skardu road which is functional and being used by SCO.

The reply is not tenable as no documentary evidence in respect of approval from NHA was provided till finalization of this report.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to obtain NOC for RoW from NHA and get it verified from audit.

Audit recommends implementation of DAC directives.

(DP No 179)

8.5.5 Non-receipt of O&M charges from M/s CMI-Rs 163.716 million (570,240 US$)

As per capacity and price schedule-1 of contract agreement, US $ 460,800 will be recovered from M/s China Mobile International (CMI /Zong) as annual O&M charges of the end-to-end Circuit in case of 100 G Circuit, & US$ 109,440 in case of 20 G leased end to end capacity. Further, according to Section 40-C (1&2) of Public Finance Management Act, 2019, the revenue collection offices shall deposit the collections in Federal Consolidated Fund promptly without delay in prescribed manner under the head of account specified by the Finance Division in consultation with the Controller General of Accounts. Revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures.

SCO HQ under the MoITT, Islamabad executed tripartite agreement with CM Pak, Ltd and China Mobile International (UK), Limited on 19.12.2019 for supply of 100 G & 20 G lease circuit capacity respectively for provision of OFC based transmission Network Cable stationed at SCO node Khunjrab to SCO node at, Rawalpindi.

Audit observed that SCO neither recovered the O&M charges of Rs 163,715,904 (US$ 460,800 + US$ 109,440 x Rs 287.10 prevailing exchange rate) from M/s CMI nor remitted to Federal Consolidated Fund.

Audit contends that non-recovery of the O&M charges and its remission to the Federal Consolidated Fund in disregard to the above stated rules signify the weakness of the financial discipline and misreporting of revenue of SCO to the relevant quarters.

The matter was reported to the management and PAO during September to December, 2023. It was replied that a sum of USD 11,404,747 was paid by CMI as 15years IRU on 31.12.2019 which was deposited in FCF. No O&M charges were included in Contract Agreement with CMI.

The reply is not tenable. O&M charges were duly included in the contract agreement as is evident from the criteria quoted above.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to provide the relevant record relating to recovered amount of O&M charges and get it verified from audit within one week.

Audit recommends implementation of DAC directives.

(DP No. 209)

8.5.6 Unauthorized laying of OFC at unapproved section-Rs 114.00 million

According to Para 6(C)(3) of PC-1 for the project, Up-gradation of transmission network and replacement of Optical Fibre Cable (OFC) in AJ&K & GB (Project No. I/2019-2020)", 855 Km Optical Fibre Cable will be laid in HDPE Duct at specified sections as per diagram at Annex-VI.

Further, Rule 4 of PPRs-2004 stipulates that, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

The Departmental Development Working Party (DDWP) under MoITT, Islamabad approved the PC-1 for “Up-gradation of Transmission Network and replacement of OFC at AJ&K and GB” amounting to Rs 1,780 million on 06.04.2020 for Chilas-Shatial, Shatial-Dareel Ghabar & Shatial-Tangir Phabat section having a stretch of 151 (65+40+46) KMs. The project was divided into three packages. The contract for package-3 Gilgit-Baltistan section was awarded to M/s Amanullah & Co. Ltd for laying of 70 KM Optical Fibre Cable Network at a cost of Rs 114 million on 21.05.2021.

Audit reviewed the relevant contract files and observed that:

i. SCO changed the alignment and executed the contract with M/s Amanullah for laying of OFC at Gilgit- Gakhuch section for the same amount and same KMs which was not approved in the PC-I.
ii. The record transpired that the road was under construction and no ROW was available for laying of OFC at Gilgit-Gakhuch section.
iii. A payment of Rs 45,640,000 (15,000,000 + 19,230,000+11410,000) was made to the contractor for a package which was not included in the section list/diagram of the approved PC-I.

Audit contends that changing the alignment of the OFC, inclusion of a section unapproved in the PC-1 and award of contract thereof resulted in an unauthorized expenditure of Rs 114 million.

The matter was reported to the management and PAO during September to December, 2023. It was replied that 70 KMs of Shatial – Dareel Ghabar & Shatial – Tangir Phabat section was approved in PC-I, accordingly the contract was awarded to M/s Amanullah Khan & Co (Pvt).

Gilgit to Gakhuch Section was neither approved nor contract was awarded to M/s Amanullah. No OFC was deployed at Gilgit - Gakuch Section.

The reply is not tenable as the contract was awarded to M/s Ammanullah for Gilgit-Gakuch section and payments were made against the same contract as evident from the invoices of the contractor.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to verify the record from audit.

Audit recommends implementation of DAC directives and matter be inquired to fix responsibility.

(DP No. 176)

8.5.7 Irregular utilization of contingency allocations - Rs. 85.793 million

As per para 2 (d) of FB&A procedure under head misc. expense grant, the grant and expense are lapsable at the end of financial year. The unspent balance will be deposited into Govt. Treasury.

SCO HQ under the MoITT, Islamabad drew a total amount of Rs 368,763,933 under the head-contingencies during FY 2022-23 and deposited in SCO lapsable account No 5412373 opened in NBP.

Audit observed that the amount was withdrawn on simple receipt basis without incurrence of expenditure and submitting of bills to CMA (FWO). Audit also revealed that SCO made payments out of the designated account opened in the National Bank of Pakistan throughout the year on account of contingencies bypassing the pre-audit checks at the counter of CMA (FWO). Audit further noticed that SCO withdrew an amount of Rs 85,793,018 on 27.6.2023 through cheques which was cleared during July, 2023 after close of financial year.

Audit contends that withdrawal of contingencies funds on simple receipt basis from CMA (FWO) without pre-audit checks of the expenditure reflect inefficient budgeting process, weak internal control and warrants immediate corrective action.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the Ministry allocated the required funds on 26.6.2023 and on the same day amount was claimed on contingent bill submitted to CMA (FWO). Due to public holidays of Govt. institutions the amount was credited on 03.07.2023.

The reply is not tenable. The funds were withdrawn without pre-audit checks by CMA (FWO). Further, the designated account of SCO in the NBP was a lapsable account, therefore, the cheques issued on 27.06.2023 were invalidated and could not be en-cashed after special permission of State Bank on 03.07.2023.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to provide the State Bank letter, procurement record and clearance of cheques to audit for verification.

Audit recommends implementation of DAC directives.

(DP No. 178)

8.5.8 Loss of land due to inadequate asset management - Rs.43.532 million

As per notification No REV-COMM-1(8)/97 dated 16.05.1998, the Chief Secretary Gilgit-Baltistan allotted Khalisa Land in favour of 63 CSB, SCO for construction of Telecommunication Buildings etc at various stations including Konodas, Gilgit.

The Chief Secretary Gilgit-Baltistan allotted four (04) properties to 63-CSB SCO, Gilgit-Baltistan for construction of Telecommunication Buildings as detailed below:

S.No	PDP No	Location	Land Area	DC Rate Per Kanal	Loss (Rs)
1	282-24	KIU	5K,8M	2,756,000	14,882,400
2	281-24	Jaglot	10 M	2,100,000	1,050,000

3	269-24	Tangir	34K,2 M	750,000	25,500,000
4	266-24	Shatial	1K,10 M	1,400,000	2,100,000
Total			39 K,18 M	-	**43,532,400**

Audit reviewed the land and building files and observed that 5 Kanal& 8 Marla land was illegally occupied by Karakorum International University, 10 marla at Jaglot was occupied by Local Government and 34 Kanal & 02 marla land at Tangir was occupied by a private person. In case of Shatial, payment was made for 1 Kanal & 10 marla land during 1984 but land was not acquired, Audit estimated the land value as per DC rate to the tune of Rs 43,532,400.

Audit maintains that due to inadequate asset management and weak internal controls, SCO sustained a huge loss of Rs 43,432,400.

The matter was reported to the management and PAO during September to December, 2023. It was replied that SCO was not in possession of any land, therefore, responsibility for non-transfer of land in the name of SCO and holding of possession could not be fixed against anyone.

The reply is not tenable. The land was allotted to SCO by the GB government and was in possession of SCO but the land was grabbed/ encroached upon by different private and government organizations.

The matter was discussed in the DAC meeting held on 15th January, 2024. In case of S No 1, 2 & 4, the DAC directed the management to chalk out the mechanism for asset management on the analogy of SUPARCO, besides recovery of alternate land /amount from the concerned agency under intimation to audit. In case S.No 3, the DAC directed to provide settlement agreement to audit.

Audit recommends implementation of DAC directives.

(DP No. 266, 269, 281 & 282)

8.5.9 Unauthorized payments out of revenue-Rs 36.686 million

As per Rule 23 of Public Financial Management Act, 2019, no authority shall incur or commit any expenditure or enter into any liability involving expenditure from the Federal Consolidated Fund and Public Account of Federation until the same has been sanctioned by a competent authority duly empowered.

SCO HQ under the MoITT, Islamabad executed Service Level Agreements (SLA) with M/s CARE (Pvt) Ltd and M/s Glowbug Tech. (Pvt) Ltd with costs of Rs. 9,093,750 and Rs 24,748,080 for provision of O&M of Lawful Interception (LI) Monitoring System and Premises DNS Solution on 22.06.2017 & 07.03.2022 respectively. A payment of Rs 33,841,830 was made to both M/s CARE (Pvt) Ltd and M/s Glowbug Tech. (Pvt) Ltd. Further, PEMRA & PTA fee amounting to Rs 2,844,499 was also paid from revenue as detailed below:

S. No	PDP No	Subject	Amount (Rs)
1	197-24	Unauthorized payments out of revenue	33,841,830
2	198-24	Unjustified payment of from revenue	2,844,499
Total			**36,686,329**

Audit observed that unauthorized payments out of SCO revenue were made to the service providers on account of service level agreement fees instead of meeting the expenditure from recurring cost of the respective projects during FY 2022-23.

Audit holds that the service level agreement fees were required to be made from recurring budget heads but due to weak financial discipline, the fees were met out of SCO revenue account in violation of the afore-mentioned rule.

The matter was reported to the management and PAO during September to December, 2023. It was replied against S. No 1 that the allocated non-development budget was insufficient for POL and necessary spares and SCO network had expanded exponentially, therefore, SCO project management board (PMB) approved the payment of SLAs from revenue till the time necessary non-development funds were allocated to SCO. In case of S.No 2, regulatory payments were made from revenue to avoid late payment charges / suspension of services. As per FBA&A procedures SCO is authorized to make necessary regulatory payment.

The management accepted the audit contention, however, the authorization of necessary regulatory payment out of revenue under FBA&A procedures of SCO and its subsequent adjustment could not be verified to audit.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to regularize the expenditure from Finance Division and get it verified from audit.

Audit recommends implementation of DAC directives and cessation of the practice henceforth.

(DP No. 197& 198)

8.5.10 Non-execution of civil work as per approved BoQ - Rs 16.230 million

As per Annex-I of the PC-I, an amount of Rs 20.062 million was fixed for acquisition of land, construction of buildings, civil works & allied equipment.

SCO HQ under the MoITT, Islamabad executed a contract agreement with M/s Amanullah & Co (Pvt) Ltd on 07.07.2021 for the project, 'Protection and Up-gradation of Pak-China OFC for cross border connectivity (Dassu-Danyore Alignment) at a cost of Rs 1,007,813,681 including an amount of Rs 20,000,000 for acquisition of land and construction of concrete building at Dassu.

The Audit Team visited the Dasu site physically and observed that:

i. The contractor had executed the work of Rs 3,769,900 against the approved cost of Rs 20,000,000.

ii. The contractor did not acquire the land for construction of node site despite receiving of payment thereof.
iii. The contractor installed pre-fabricated shelter instead of construction of concrete building.
iv. Installation of Air Conditioner and electricity meter, construction of car porch, complete boundary wall and lawn, green area and paving of tuff tiles were not carried out / executed.
v. SCO paid full amount by issuing Final Acceptance Certificate despite the fact that the work was not executed in accordance with BoQ.

Audit contends that non-execution of the work according to the approved BoQ, altering the BoQ items without revision of the PC-I and issuing the Final Acceptance Certificate (FAC) without completion of work reflect weakness of the financial discipline and internal controls.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the pre-fabricated building was installed on emergency basis for early installation of equipment. 15 KVA solar was installed to provide 24-hours power equipment instead of purchasing land. All the other allied equipment is available at Node site. Revised PC-I for approval had already been prepared and would be shared after approval for verification.

The reply is not tenable. Non-acquisition of land despite payment of land cost, construction of pre-fabricated instead of concrete building without revision of PC-I and non-execution of BoQ items by the contractor reflect weak contract management, financial indiscipline and ineffective monitoring of the organization.

The matter was discussed in the DAC meeting held on 15th January, 2024. The DAC directed the management to quantify the actual work done by the contractor. Further, revised reply along with justification and revised PC-I be provided to audit for verification.

Audit recommends implementation of DAC directives.

(DP No. 170)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-9

UNIVERSAL SERVICE FUND (USF)

Chapter 9

Universal Service Fund (USF)

(MoITT)

9.1 Introduction

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

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

The Fund is utilized exclusively for providing access to telecommunication services to the people in the un-served, under-served, rural and remote areas, besides other expenditure made by the Federal Government in managing USF. The Federal Government is 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, MoITT established a non-profit company limited by guarantee for implementation of USF projects. The company is managed by a Board of Directors headed by Secretary, MoITT as its Chairperson to run its affairs.

B) Comments on Budget and Accounts

9.1.1 According to Auditor-General's office letter No.574/43-R&SD/SOP/2007Pt dated 01.12.2023, Universal Service Fund (USF) Company, being autonomous body of the Federal Government, while appointing the Chartered Accountant firm for annual audit of its financial statements, is required to obtain concurrence of the Auditor-General of Pakistan. However, USF did not obtain the said concurrence from the office of the Auditor-General of Pakistan.

9.1.2 According to Note 16.3.5 to the Financial Statements, the value of plan assets as on 30.06.2023 was recognized as Rs 125.822 million (in 2023) as compared to Rs 90.244 million (in 2022); thereby showing an increase of 39.4% in plan assets. The detail of increase in plan assets along with detail of investment made by the USF Company may be provided.

Table-I Audit Profile of USF

(Rs in Million)

S. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	01	01	18,555.023	8,398.248
2	• Assignment Accounts • SDAs	01	01	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	18,555.023	8,398.248
4	Foreign Aided Projects (FAP)	-	-	-	-

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 30,775.499 million were raised in this report during the current audit of the USF Company. This amount also includes recoveries of Rs 176.845 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

S. No	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and misappropriation	**-**
3	Irregularities	**20.654**
A	HR/Employees related irregularities	20.654
4	Value for money and service delivery issues	**3,741.000**
5	Others	**27,013.845**
	Total:	**30,775.499**

9.3 Status of Compliance with PAC Directives

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

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

AUDIT PARAS

9.4 Irregularities

A. HR/Employees related irregularities

9.4.1 Inadmissible payment on account of monthly fuel ceiling to USF employees – Rs 20.654 million

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

The USF Company under the MoITT, Islamabad paid vehicle monetization allowance amounting to Rs 13,532,784 to the officers above manager level. The Company also authorized monthly fuel ceiling against their private vehicles and paid an amount of Rs 20,654,248 to the same officers during FY 2022-23.

Audit contends that the authorization and payment of monthly fuel ceiling in addition to monetization allowance was inadmissible.

The matter was reported to the management and PAO during October and November, 2023. It was replied that monetization policy of fuel entitlement and vehicle monetization in lieu of official vehicle for all USF Manager and above officers was approved by the Board of Directors while approving HR Manual on the recommendation of Human Resource Governance Committee (HRGC).

The reply is not tenable. The USF Board did not allow paying both the facilities simultaneously to all officers above manager level.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC upheld its earlier directive of meeting held on 27.12.2022 and directed the management to refer the case to BoD in order to align it with the government policy.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the MFDAC Report for the audit year 2022-23 vide PDP No. 96-2023 having financial impact of Rs 12.960 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 125)

9.5 Value for money and service delivery issues

9.5.1 Blockage of USF funds on account of mobilization advance– Rs 3,741 million

According to Para 5 of schedule 'D' of Service and Subsidy Agreements (SSA) made between USF Company and service providers (a) first milestone must be achieved within six (6) months of the Effective Date, (b) rest of three milestones must be achieved within twelve or eighteen months of the Effective Date (the Final Implementation Date). Further, as per clause 4.01 of Service and Subsidy agreement, apart from condition of force majeure, failure to meet the Final Implementation Date can result in imposition of one or more penalties by USF Company.

The USF Company Board under the MoITT, Islamabad approved award of twelve (12) Broadband and OFC contracts amounting to Rs21,036,308,600 during its 83rd BoD meeting held on 22.09.2022. Accordingly, the CEO of USF Company signed the contracts with six (06) telecom operators during October, 2022. Mobilization advances @ 20% of contract values amounting to Rs3,740,683,123 were paid to the service providers.

Audit examined the record of service and subsidy agreements and observed that the service providers failed to offer first milestone for technical audit till 30.06.2023 despite lapse of nine (09) months. Further, the service providers requested the USF Company for grant of 180 days extension in contracts on force majeure basis. Accordingly, the Company granted extension only in five contracts vide USF Management Committee's meeting held on 16.01.2023. Audit further noticed that the service providers in remaining seven (07) contracts also did not offer first milestones within due time.

Audit contends that the service providers failed to fulfil the contractual obligations despite advance mobilization payment by the USF Company.

The matter was reported to the management and PAO during October and November, 2023. It was replied that all of the projects highlighted by Audit have suffered from force majeure conditions of imports and opening of LCs. The mobilization advance was paid according to Schedule D of the Service and Subsidy Agreement within 15 days of effective date (date of signing of contract).

The reply is not tenable. The projects were approved by USF Board during September, 2022 and the contracts were awarded during October, 2022 despite the joint request of service providers on 28.07.2022 to postpone the bidding process due to economic situation of Pakistan, difficulties in opening of LCs and government restrictions on imports. The service providers signed the agreements and submitted requests for mobilization advance despite the fact that they knew that they could not offer the milestones due to the conditions mentioned above.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC directed the USF management that project wise detail showing progress be prepared within two weeks and provided to audit for scrutiny.

Audit recommends implementation of DAC directives and to fix responsibility.

(DP No. 121)

9.6 Others

9.6.1 Creation of un-justified commitments - Rs 26,837 million

According to Rule 2A(1)(a) of Public Sector Companies (Corporate Governance) Rules 2013, the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature of its activities. Further, as per Rule 21(6)(c) (i& iii) of aforesaid Rules, the Audit Committee may review quarterly, half yearly and annual financial statements of the Public Sector Company, prior to their approval by the Board focusing on the major judgment areas and the going concern assumption.

The USF Company under the MoITT, Islamabad awarded Broadband and OFC contracts to different service providers (telecom operators) for provision of telecommunication/data services to the people of un-served and under-served areas of Pakistan.

Audit observed that USF Company created huge commitment of Rs 61,656 million as on 30.06.2023 against the available funds of Rs 34,819 million with the Ministry and USF Company; thereby, creating a huge liability of Rs 26,837 million as detailed below:

(Rs in Million)

S. No.	Description	Amount	Remarks
1	USF Company payable commitments as on 01-07-2022	39,590	
2	Add commitments during the year 2022-23 (new projects)	22,066	
3	Total payable Commitments up to 30-06-23	61,656	(1+2=3)
4	Funds available with USF Co. for payment of commitments during 2022-23 (Rs 18,340+ Rs 923.676)	19,264	

5	Remaining commitments to be paid	42,392	(3-4=5)
6	Remaining Funds available with Fund account at Ministry and USF Co. as on 30-06-23 (Rs 13,638 + Rs 1,917)	15,555	
7	**Balance of payable Commitments as on 30-06-23**	**26,837**	(5-6=7)

Audit contends that due to improper planning and imprudent decisions by the Board, the USF Company increased the risk of going concern by awarding contracts in disregard to the fund position.

The matter was reported to the management and PAO during October and November, 2023. It was replied that an amount of Rs 57,211 million pertaining to USF funds was available in the Federal Consolidated Fund taken by the Federal Government in June, 2013. The USF Company challenged the matter in the Supreme Court of Pakistan whereby it was decided that the funds were exclusively meant for USF and could not be utilized for any other purpose by the Federal Government. Based on the funds of Rs 57,211 million available in the FCF, the USF Company did not over-commit on account of new subsidy projects.

The reply is not tenable as the Finance Division vide letter dated 06.07.2023 intimated the MoITT to obtain the balance amount of USF through annual budgetary appropriations during next ten (10) years, which means that USF Company had expected receivable of Rs 5,700 million per year.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC directed USF management to prepare a separate contract wise detail showing break up of all the contracts. A report in this regard may be prepared, placed before the Board and also provided to audit.

Audit recommends implementation of DAC directives.

(DP No. 120)

9.6.2 Non-recovery of outstanding dues of USF contribution – Rs 176.845 million

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

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

Audit observed that USF Fund Management failed to recover an amount of Rs 176,844,519 on account of USF contributions against the billing issued to the telecom operators during FY 2022-23.

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

The matter was reported to the management and PAO during October and November 2023. It was replied that recovery from operators is an ongoing mechanism. The MoIT is in process of issuing the letter to PTA, advising them to expedite the recovery process. Any update in the recovery process will be shared with audit.

The reply is not tenable. The Fund was established to manage the affairs of the USF fund. However, audit did not find any evidences of efforts made by the fund management to recover the outstanding dues.

The matter was discussed in the DAC meeting held on 11th January, 2024. The DAC directed USF Fund management to expedite the recovery and get it verified from audit.

Audit recommends implementation of DAC directives.

(DP No. 115)

Ministry Of Information Technology
&
Telecommunication

Chapter-10

Impact Audit

Of

USF Project “Broadband Sustainable Development Program- Khyber Lot”

Impact Audit of USF Project "Broadband Sustainable Development Program – Khyber Lot"

10.1 Introduction

The Broadband for Sustainable Development (BSD) Program, initiated by the Universal Service Fund (USF), is a telecom service-related program designed to bridge the digital divide by extending telecommunication services to un-served/under-served areas in Pakistan. The program became significant after the issuance of 3G and 4G licenses by the Federal Government; therefore, broadband data (internet) services were included as a mandatory component. The objective was to empower communities across the country with access to both voice and data communication so as to promote economic development and social inclusion.

The Broadband Sustainable Development (BSD) of Khyber Lot is a significant part of this program which focuses on the un-served areas within Khyber, Kohat, Karak and Hangu districts including erstwhile FR Peshawar and FR Kohat. The Khyber Lot comprises 720 Mauzas with an estimated rural population of 3.1 million[8]. Out of these Mauzas, approximately 70% was un-served area, which lacked basic telecommunications services/facilities. This un-served area accounted for 56.6% of the rural population in the Khyber Lot.

To address this digital divide and extend telecommunication services to these unserved areas, the Universal Service Fund (USF) entered into a contract with M/s Pakistan Telecommunication Mobile Limited (PTML), which operates under the brand name of Ufone on 23-10-2017.

The program aims at bringing voice communication and broadband internet connectivity to the people of the Khyber Lot and enhance their access to information, education, healthcare, and economic opportunities.

[8]Schedule-C of Services &Subsidy Agreement (SSA) with M/s PTML

To sum up, the Broadband Sustainable Development, Khyber Lot program is a vital initiative of the Universal Service Fund under the MoITT to promote sustainable development and inclusivity in Pakistan's telecommunication infrastructure.

10.2 Overview

The program was initiated at a cost of Rs 1,985 million[9] with a specific goal to provide essential telephony and data services including broadband Internet as well as necessary infrastructure such as fiber networks and community tele-centres (commonly known as Net Cafés) to the unserved areas in Khyber Lot. The program commenced on 23.10.2017, with a projected completion date of 22.10.2019. To ensure efficient and timely execution of the program, a milestone-based framework was formulated to provide a structured roadmap for the program. Accordingly, the program was divided into four milestones. The first milestone was required to be completed within six months from the date of signing of contract agreement, whereas the rest of the three milestones were to be accomplished during the ensuing eighteen (18) months. The program could not be concluded within the stipulated timeframe and was extended up to June-2020.

The uniqueness of the program was its funding model. It was financed through 1.5% contributions[10] made by the telecom operators, namely, cellular mobile operators, Long Distance & International operators, Local Loop etc. out of their adjusted revenues to USF and remarkably did not involve direct government funding. The USF hired telecom service providers through competitive bidding under reverse auction model, which encouraged healthy competition among various telecommunication companies like M/s Ufone, Jazz, Telenor, Zong, PTCL and Nayatel. Major projects were awarded to the cellular mobile operators during the currency of the program.

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[9]Schedule-D of Services &Subsidy Agreement (SSA) with M/s PTML
[10]Rule 4(2) of USF Rules, 2006.

In short, the program's unique funding model, structured milestones, and competitive bidding process contributed to bridge the digital gap in the Khyber Lot region and led to the sustainability and efficiency of the program. Though the program achieved the intended objectives of providing broadband internet services in the unserved areas of Khyber Lot, yet more focus is needed to improve the coverage and data speed in the target areas.

10.3 Scope and Methodology

The scope of the program covers the execution period starting from October, 2017 to June, 2020. To ascertain the impact of the program, Audit visited the USF Company H/Q, Islamabad and carried out site inspection of Khyber Lot. Audit noticed that the program accomplished the objectives of providing broadband services to the unserved population of the Khyber Lot but the quality of service in terms of data speed was deficient and did not serve the purpose of the people at large. Moreover, the erstwhile FATA region and the adjoining districts remained under continuous militancy threat which greatly affected people’s lives. It is worth mentioning that modern telecom facilities did not exist before intervention of USF Company in the unserved area of Khyber Lot. In fact, the program targeted the provision of voice and internet services in 428 mandatory Mauzas; however, the population of the unserved area would have been deprived of the basic telephony, data services, uplift of online educational facilities, healthcare, economic growth and social bonding, had there not been provided broadband services by the company. It is pertinent to mention that the project of providing broadband internet services was awarded to M/s Ufone only in the target areas; therefore, the data collected reflect the status of broadband internet services to that extent.

The impact audit was carried out by adopting a mixed method approach, based on quantitative and qualitative methods and tools of data collection like field survey questionnaire, key stakeholders and government officials’ interviews, drive testing and documents analysis. In addition, data from Pakistan Telecommunication Authority (PTA) and MoITT was also collected to see the tele-density in the Khyber Lot area. The audit team also collected and analyzed data on key indicators such as internet usage, economic activity and health and educational attainments.

10.4 Findings of Impact Audit

The findings of the impact audit are highlighted as under:

i. Improved broadband connectivity and effect on socio-economic life

The program has successfully achieved the intended objectives in terms of provision of consistent high speed broadband services in the unserved targeted areas of Khyber Lot which has increased access of the local population to reliable internet services; thereby creating positive life experiences and improving communication. As per audit survey[11] based on a sample of 100 respondents, 78% of the respondents of target area had smart phones; 68% of the respondents used voice and data facility, 57% used mobiles for access to public services, and 34% of the respondents opined that broadband services made their communication easy with others. 32% of the respondents were of the view that telecom services were helpful to interact with their relatives and enhanced individual participation in online community groups and pages; thereby fostering a sense of communal engagement. The program also influenced people's livelihoods by engaging them in online economic activities. As per audit survey, 22% of the respondents of target areas apprised that they used mobile services for their business expansion. The program was intended to enhance the use of e-commerce and social media platforms in the target areas in order to promote online business and social interaction. As per audit survey, 58% of the respondents replied that they used social media (Facebook and WhatsApp) for promotion and sale of products; thereby stimulating local economies and entrepreneurship. 12% of the respondents in the target area used mobile services for online shopping. The program also enhanced

[11]Field Survey Results

access of the local people to email and web browsing for gathering required information for multifarious purposes. As per audit survey, 16% respondents of the target areas used mobile service for obtaining information on social issues. Detail is given in Annex-II.

10.4.2 Increased digital literacy and skill

The program also contributed to increase in digital literacy and skills among the local population which has raised the likelihood of exploring new jobs and business opportunities through information technology and services online. As per audit survey, 40% of the respondents of target areas apprised that they used mobile phones and other equipment for e-learning, whereas 32% informed that broadband services were useful for studies and learning. The program also achieved the goal of promoting financial thinking and literacy through online services. 26% of the respondents of the target area used internet services for mobile banking facilities. The program also facilitated the farmers in acquiring the knowledge of agriculture economics and weather updates through information online.

10.4.3 Access to health information

Access to professional health-related information has enhanced the probability of receiving quality advice. The program effectively contributed to health awareness, consultation services and information accessibility in the target areas. As per audit survey, 13% of the respondents used internet for online health services.

10.5 Impact on connectivity

Broadband internet services did not exist before commencement of the program. Only fixed landline telephone service could work in certain areas without using Digital Subscriber Line (DSL) service. With the arrival of program, the local population got the facility of mobile broadband internet services as per details given in the table below:

Districts	Data Subscribers	Voice Subscribers
KOHAT	168,680	174,524
HANGU	75,122	70,486
KHYBER AGENCY	74,605	75,261
KARAK	59,848	63,377
FR KOHAT	19,648	19,294
FR PESHAWAR	9,782	7,811
Total	407,685	410,753

Source (Data received from M/s Ufone)

10.6 Problem areas of the program

The erstwhile FATA regions and their adjoining districts have been under continuous militancy which has greatly affected people's lives and livelihood. The local population was deprived of the basic telephony and data services. The program provided the modern telecom facilities only in 428 mandatory Mauzas out of 729 Mauzas due to security situation and low population below the minimum threshold of 100 persons in the target Mauza. Besides, the quality of broadband internet services was not up to the mark. As per audit survey, 45% of the population opined that quality of voice was good with slow net speed.

10.7 Conclusion

The Broadband Sustainable Development Program in Khyber Lot, spearheaded by the Universal Service Fund (USF) was implemented in only 428 Mauzas instead of 729. In those Mauzas the programme has made significant strides in narrowing the digital gap and fostering socio-economic development in under-served regions. The initiative successfully achieved its core objectives, providing consistent high-speed broadband services to previously unconnected areas.

Despite commendable achievements, challenges persist. Security concerns in erstwhile FATA regions have limited the program's reach, leaving some areas untouched. Additionally, the quality of broadband services, particularly data speed, falls short of expectations for 45% of the surveyed population.

Moving forward, targeted actions are essential. Efforts to expand coverage should prioritize collaboration with law enforcement agencies to ensure secure deployment in previously inaccessible areas. Infrastructure upgrades and technological enhancements are imperative to address the identified deficiencies in data speed. Community engagement initiatives and awareness campaigns will play a pivotal role in maximizing the program's impact, promoting digital literacy, and unlocking economic opportunities.

Regular monitoring and evaluation, coupled with public-private collaboration, will be key to the program's sustained success. These measures will enable the refinement of strategies, ensuring that the benefits of connectivity reach a wider population, and fostering a resilient digital infrastructure that contributes to the region's sustainable development.

In conclusion, while the program has laid a robust foundation for connectivity and socio-economic empowerment catering the challenges, the targeted actions will be instrumental in realizing the full potential of the Broadband Sustainable Development Program in Khyber Lot.

ANNEXURES

Annexure-I

MFDAC PARAS

(Rs in Million)

S. No.	PDP No	Subject	Amount
1.	**PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)**		
1.	26-2024	Irregular expenditure on procurements	8.088
2.	27-2024	Irregular expenditure and re-imbursement of Newspaper	8.714
3.	28-2024	Unauthorized levy of Printing Charges @ Rs 5 on scratch cards by M/s Telenor	8.236
4.	30-2024	Non-utilization of vacant plot and extravagant recurring payment	5.969
5.	32-2024	Unauthorized payment on account of HRA and 5% HR charges	2.090
6.	34-2024	Suspected leakage of revenue due to weak enforcement by PTA on monitoring reports	0
7.	36-2024	Unjustified preparation/implementation of pay package and creation of anomalies	0
8.	37-2024	Failure to meet QoS standards by M/s Zong as laid down in the license and KPIs	0
9.	38-2024	Unauthorized award of work by ignoring lowest bidder	3.641
10.	39-2024	Unjustified preparation of receipts budget due to non-inclusion of profit on bank deposits	1,738.126
11.	41-2024	Unauthorized / illegal users of radio frequency spectrum spots	0
12.	45-2024	Irregular award of project and expenditure without approval of the DWP	69.254
13.	46-2024	Irregular award of work of renovation of PTA Headquarter	59.100
14.	47-2024	Non-fulfilment of contractual obligations and expenditure on hiring of services	4.741
15.	48-2024	Ineffective functioning of Internal Audit Wing, unauthorized participation in-house	0

		committee's and non-production of internal audit reports	
16.	50-2024	Compromised quality of service and permission regarding VoWiFi to PMCL (Jazz)	0
Total			**1,897.781**

S. No.	PDP No	Subject	Amount
2.	**FREQUENCY ALLOCATION BOARD (FAB)**		
1.	52-2024	Excess payment of pay & allowances	0.414
2.	53-2024	Non-utilization of assets and estimated loss	5.030
3.	55-2024	Unlawful development of online application system and payment	2.980
4.	56-2024	Irregular payment under Financial Assistance Package	2.000
5.	57-2024	Irregular expenditure and re-imbursement of Newspaper	1.953
6.	59-2024	Less realization of fee on account of holding of GMDSS & RTO Examinations and revalidation of certificates	0.950
7.	60-2024	Non-possession of vested land and non-recovery from PTCL	0.326
8.	62-2024	Delay in finalization of application for allocation of frequencies	0
9.	65-2024	Unjustified issuance of Provisional Approvals for allocation of frequency and site clearance	0
Total			**13.653**

S. No.	PDP No	Subject	Amount
3.	**NATIONAL RADIO &TELECOMMUNICATION CORPORATION (PVT.) LIMITED (NRTC)**		
1.	145-2024	Non-preparation of consolidated Financial Statements by NRTC	0
2.	148-2024	Loss due to price escalation of vehicles procured for security	2.900
3.	149-2024	Irregular transfer of Funds/Projects to TIP	1148.570
4.	151-2024	Non-return of amount received on account of undelivered store to SUPARCO	29.966
5.	152-2024	Un-justified payment of Earnest Money	268.476
6.	153-2024	Non-adjustment / recovery of temporary/TA DA advances	18.785
7.	154-2024	Non-adjustment of deducted amount of income tax	16.347
8.	155-2024	Irregular expenditure on pay & allowances of the officers/officials	4.675
9.	156-2024	Non-Claiming the additional financial cost of excess accessories supplied	0
10.	157-2024	Non-Receipt of supplies from foreign suppliers	66.030
11.	158-2024	Non-fulfilment of provisions of statement of compliance with the CGR, 2013	0
12.	162-2024	Irregular advance payment through TT in splitting manner	58.243
Total			**1,613.992**

S. No.	PDP No	Subject	Amount
4.	**Telephone Industries of Pakistan (TIP)**		
1.	98-2024	Non-completion of PEDO Project	5,868.250
2.	99-2024	Non-Completion of the Project	369.721

3.	101-2024	Non-recovery against projects	186.292
4.	106-2024	Non-recovery of rent of space	17.159
5.	107-2024	Non-completion of the Project and undelivered store	8.820
6.	108-2024	Unauthorized extension in the contract resulted in irregular payment	8.127
7.	109-2024	Irregular procurement of hybrid inverters and batteries	5.806
8.	112-2024	Irregular procurement of inverters	3.165
9.	113-2024	Unlawful expenditure on purchase of medicines	1.792
10.	114-2024	Non-recovery of electricity and water charges from Police Post Haripur	9.678
Total			**6,478.810**

S. No.	PDP No	Subject	Amount
5.	**ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL (ECAC)**		
1.	88-2024	Establishment of ECAC on temporary footings	0
2.	90-2024	Un-authorized opening & retention of funds in Investment Account	1.411
3.	93-2024	Irregular procurement of NTC Data Center	84.562
4.	95-2024	Un-justified expenditure on establishment of Issuing Certification Authority (CA)	259.473
5.	96-2024	Un-authorized payment of honorarium to NTC employees	0.249
6.	97-2024	Non-appointment of Registrar and Secretary of ECAC Council	0
Total			**345.695**

S. No.	PDP No	Subject	Amount
6.	**IGNITE NATIONAL TECHNOLOGY FUND COMPANY**		
1.	67-2024	Un-authorized approval and extensions by the BoD	3,509.349
2.	68-2024	Non-utilization of Budget and accumulation of Unused funds	12,647.16
3.	71-2024	Un-authorized extension of NICs	536.245
4.	73-2024	Weak internal control regarding achievement of project's objectives	72.745
5.	75-2024	Non implementation of direction of Prime Minister of Pakistan for establishment of lab-based Digi Skills training program	42.383
6.	76-2024	Short contribution to Gratuity Fund	35.000
7.	78-2024	Irregular expenditure from Company Fund	10.917
8.	79-2024	Un-authorized payment of Utilities & Communication to M/s LUMS	12.789
9.	80-2024	Defective agreement for Assessment of Pakistan Startups & Freelancing Ecosystems and non-imposition of LD charges	20.000
10.	81-2024	Un-authorized expenditure under head utility	7.212
11.	82-2024	Irregular expenditure on purchase of assets	6.286
12.	83-2024	Un-authorized payment of 15% additional benefits	5.878
13.	84-2024	Irregular expenditure incurred on web hosting, website maintenance & internet facilities	1.867
14.	85-2024	Un-authorized drawl of salary by M/s LUMS Lahore	0.517
15.	86-2024	Irregular constitution of Board of Directors of Ignite Company	0
16.	87-2024	Non-finalization of Audited Financial Statements of the Ignite Company for the year ended 2022-23 and appointment of External Auditors without concurrence of AGP	0
Total			**16,908.348**

S. No.	PDP No	Subject	Amount
7.	**NATIONAL TELECOMMUNICATION CORPORATION (NTC)**		
1.	135-2024	Loss of NTC due to defective auction price and delayed deposit	9.055
2.	136-2024	Loss of revenue due to defective contract agreement with DHA	9.126
3.	137-2024	Un-justified revision in BoQ and payment made to contractor	0.890
4.	138-2024	Loss of NTC due to non-recovery of damage charges from NHA	8.340
5.	139-2024	Unjustified execution of work through contractors and overstatement of expenditure of Rawalpindi Directorate	5.540
6.	226-2024	Unauthorised payment to staff upon regularization of contract employment	12.672
7.	227-2024	Unjustified procurement of without open tender	3.306
8.	229-2024	Irregular expenditure on account of cleaning services	1.182
9.	230-2024	Overpayment of Leave Encashment	0.555
10.	231-2024	Un-authorized deputation in NTC from PTCL	2.701
11.	232-2024	Unjustified payment of pay and allowances made against attachment basis	2.340
12.	233-2024	Unjustified expenditure incurred on salary of Director (I.T)	2.010
13.	234-2024	Unjustified expenditure incurred on salary of Corporate Secretary	1.542
14.	235-2024	Misclassification of expenditure	21.431
15.	236-2024	Unjustified requisition and deputation in NTC and payment	1.502
16.	237-2024	Unjustified award of work for laying of OFC and UG cable	0
17.	238-2024	Loss to National Exchequer	25.905

18.	239-2024	Undue favour to tenants through defective renewal of lease agreements	18.996
19.	240-2024	Non surrender of surplus receipts to Federal Consolidated Fund	300.000
20.	241-2024	Unjustified changes made in NTC Service Regulations, 2023	0
21.	242-2024	Unjustified inclusion of NTC Management Board in Service Regulations, 2023	0
22.	243-2024	Unjustified award of work due to less receipt of pre-deposit amount	33.859
23.	244-2024	Loss due to undue favour to lessee	1.453
24.	245-2024	Non imposition of penalty due to delay in completion of the project	8.977
25.	246-2024	Less -achievement of estimated revenue of DSL	199.210
26.	247-2024	Non-Conversion of period of Foreign Deputation into EOL	0
27.	248-2024	Unjustified delay in completion of disciplinary proceedings	0
28.	253-2024	Non- receipt of pension contribution from borrowing departments	1.537
29.	254-2024	Unjustified and Wasteful expenditure incurred without agreement	7.642
30.	256-2024	Unauthorized renting out of CC Huts	1.245
31.	257-2024	Loss due to non-renting out of CC Huts	1.160
32.	258-2024	Unjustified Negative Balance against Telephone and DSL Connections	5.101
33.	259-2024	Un-justified deduction of WHT on share of electricity charges by tenant	5.294
34.	260-2024	Unjustified installation of telephone connections and NTC Logo by the tenant	0
35.	261-2024	Non recovery of inspection room charges	4.928
36.	265-2024	Irregular expenditure on outsourced staff beyond the sanctioned strength	8.192
37.	270-2024	Loss to the Corporation on Pre-deposit work	0.892

38.	271-2024	Irregular and unjustified expenditure incurred on staff bus	1.093
39.	272-2024	Irregular award of procurement contract in violation of PPRs	1.299
40.	273-2024	Unjustified deduction of income tax	2.007
41.	274-2024	Execution of work by deviating pre-deposit work policy and over payment to contractor	1.739
42.	276-2024	Overpayment to the contractor due to claiming excess quantity in bill	4.029
43.	277-2024	Irregular payment of Additional ROW charges to the contractor	0.486
44.	278-2024	Irregular release of security deposit	2.351
45.	279-2024	Un-authorized expenditure	13.141
46.	285-2024	Irregular Expenditure on repair and maintenance and procurement without Tendering	8.236
47.	286-2024	Irregular expenditure on engagement of Contingent Paid Staff	0.816
48.	287-2024	Non realization against completed P-Deposit Estimate	0.604
Total			**767.952**

S. No.	PDP No	Subject	Amount
8.	**SPECIAL COMMUNICATIONS ORGANIZATION (SCO)**		
1.	163-2024	Irregular procurement of M/s ZTE equipment	8.256
2.	164-2024	Unauthorized purchase of equipment with brand names.	43.95
3.	165-2024	Mis-procurement due to non-obtaining Beneficial Ownership Information from contractor.	159.49
4.	166-2024	Mis-procurement of construction services for repair works	10.10
5.	167-2024	Mis-procurement of construction services for repair works	11.10

6.	169-2024	Doubtful expenditure on recurring charges	6.76
7.	171-2024	Irregular expenditure on repair of communication centre, Murree.	4.00
8.	172-2024	Non-payment of electricity bill from Project.	5.61
9.	173-2024	Unauthorized expenditure on contingency	1.00
10.	174-2024	Irregular payment of honorarium to CMA FWO	1.433
11.	175-2024	Unauthorized expenditure on additional items	64.491
12.	177-2024	Irregular drawl of money under contingency head without pre-audit.	368.76
13.	181-2024	Unauthorized expenditure on additional items	71.158
14.	183-2024	Irregular service contract and unauthorized payment thereof	2.362
15.	184-2024	Non receipt of leftover equipment	40.575
16.	185-2024	Unjustified Charging of Pays and allowances to PSDP projects.	1.110
17.	188-2024	Irregular payment of honorarium	8.830
18.	189-2024	Non surrender of saving	10.728
19.	191-2024	Inadmissible payment of RoW charges to contractor instead of NHA	46.571
20.	192-2024	Unauthorized expenditure without re-appropriation	1948.31
21.	194-2024	Irregular award of contract in violation of PMB approval.	285.00
22.	196-2024	Unauthorized excess payment without revision of PC-1	59.308
23.	199-2024	Non-collection of co-location, media & VIM charges	31.796
24.	200-2024	Non-recovery of roaming charges	22.374
25.	201-2024	Irregular sanctioning of expenditure on repair & maintenance of building.	11.098
26.	202-2024	Non recovery of OFC damage charges.	2.35
27.	203-2024	Less-deposit of Performance Bank Guarantee.	1.48

28.	204-2024	Unjustified creation of company without the approval of GoP and non-transfer of revenue to FCF	0.00
29.	206-2024	Non-claim of Input Sales Tax.	37.46
30.	207-2024	Unwise planning and failure to achieve desired objectives	3,945.65
31.	208-2024	Inadequate accounting & budgeting procedures.	5,211.56
32.	210-2024	Irregular Collection and refund of performance guarantee.	0.35
33.	211-2024	Declining market share of SCO due to delivery issues.	0
34.	212-2024	Irregular expenditure on repair of vehicles and equipment's.	4.90
35.	213-2024	Irregular/un-justified transfer of Income Tax and GST.	0.72
36.	214-2024	Unauthorized payment of repair and maintenance charges.	1.56
37.	215-2024	Irregular expenditure on purchase of medicines.	0.22
38.	216-2024	Non/Less-deduction of income tax/GST	42.575
39.	217-2024	Irregular expenditure on hiring of space for BTS-8.300	8.30
40.	218-2024	Persistent decline in landline connections leading to a recurring loss.	16.359
41.	219-2024	Non-refund/disclosure of security deposit relating to PSTN subscribers.	7.481
42.	220-2024	Non-surrender of revenue to FCF.	7.242
43.	221-2024	Non-recovery of outstanding dues from telephone subscribers	2.699
44.	222-2024	Unauthorized payment through cash instead of cheques.	77.035
45.	223-2024	Non availability of ownership documents of land	11.450

46.	224-2024	Non-deduction of educational cess on income/withholding tax.	1.1861
47.	225-2024	Inefficient resource utilization in the absence of a marketing strategy.	4.493
48.	267-2024	Non availability of record relating to SCO Technology Park & SCO-KIU Incubation Centre at Gilgit	0
49.	268-2024	Unauthorized deposit of GST & Income Tax	1.711
50.	280-2024	Irregular expenditure on boundary wall and Improper acquisition of land at Minawar, Gilgit	15.00
51.	283-2024	Unauthorized/ Irregular sale agreement of SCO/Govt. Land at Astore	2.175
52.	284-2024	Non-depicting of amount in expenditure statement.	1.263
53.	288-2024	Irregular payment to Franchisee by Customer Care Centre	5.721
Total			**12,612.736**

S. No	PDP No	Subject	Amount
9.	**UNIVERSAL SERVICE FUND (USF)**		
1.	116-2024	Non-transfer of USF contribution to AJ&K Council	653.240
2.	117-2024	Non-recovery of Access Promotion Contribution for USF	47.677
3.	118-2024	Non-establishment of independent Fund Secretariat	0
4.	119-2024	Irregular composition of USF Board	0
5.	122-2024	Blockade of USF funds due to improper planning	2,899.000
6.	123-2024	Irregular award of OFC contracts	3,305.000
7.	127-2024	Project de-scoping without approval of Board	0
8.	128-2024	Irregular expenditure on project consultancies	45.747
9.	129-2024	Loss due to imprudent decision of the Project	598.000

		Oversight Committee	
10.	131-2024	Loss due to imprudent decision of USF Board	663.434
11.	132-2024	Irregular payment of Right of Way charges to service provider	152.960
12.	133-2024	Irregular payment of pay & allowances to deputationists	17.979
13.	134-2024	Non-deposit of pension contribution in government treasury	4.581
Total			**8,387.618**

ANNEX-II

امپیکٹ اسسمنٹ سوالنامہ

جواب دہندگان کا نام: ______________ **صنف:** ______________ **عمر:** ______________

رابطہ نمبر: ________________________ **ایریا (تحصیل / ضلع):** ______________

تعلیم: پرائمری / میٹرک / انٹر / گریجویشن / ماسٹر **دستخط:** ______________

1. آپ موبائل سروس سے کس طرح مستفید ہوتے ہیں؟؟

a. پڑھائی میں مددگار b.کاروبارمیں اضافہ

c.نوکری کے نئے مواقع d.رشتہ داروں سے رابطے کا ذریعہ

e. معلومات حاصل کرنے کا ذریعہ) حالات حاضرہ(f. دیگر (وضاحت کریں) __________

2. انٹرنیٹ استعمال کرنے کے لئے آپ کے پاس کون سے ذرائع ہیں ؟

a. لیپ ٹاپ b.کمپیوٹر c.سمارٹ فون d. سادہ فون

e. کوئی نہیں

3.موبائل کا آپ کی روزمرہ زندگی پر کیا اثر پڑا؟

a. بہتر ذریعہ اظہار b.وقت کی بچت c.آن لائن خریداری d.تفریح اور فارغ وقت

کی مصروفیت

4.آپ کے علاقے میں سروس کا معیار کیسا ہے؟

a.مطمئن b.بات چیت میں دشواریc.بات چیت ٹھیک ہے لیکن انٹرنیٹ کی سپیڈ کم

ہےd.کوئی سروس نہیں

5. آپ کس قسم کے فون کے مالک ہیں؟

a. آواز کے ساتھ بنیادی موبائل فون b. سمارٹ فون (4G/3G صلاحیت کے ساتھ)

telbaT .c d. دیگر (وضاحت کریں) __________

6. اس پروجیکٹ سے پہلے آپ نے کس قسم کی ٹیلیفون سروس کا استعمال کیا؟

a. بات چیت کا ذریعہ نہیں تھا b. لینڈ لائن 2G.c (وائس اور SMS)

d. (وائس اور ڈیٹا)4G/3G/2G e.دیگر (وضاحت کریں) __________

7. پاکستان اور بیرون ملک ، کنبہ ، دوستوں اور عام لوگوں کے ساتھ ، اس خدمت سے پہلے بات چیت کرنا کتنا مشکل تھا؟

a. بہت مشکل b. جزوی طور پر مشکل c. مشکل نہیں

8. آپ کون سی service زیادہ کثرت سے استعمال کرتے ہیں؟

a. آواز b. ڈیٹا c. وائس اور ڈیٹا دونوں

9. مندرجہ ذیل میں سے کون سی ایپلیکیشن / ویب سائٹ آپ اکثر استعمال کرتےہیں؟

a. سوشل میڈیا (فیس بک ، واٹس ایپ ، ٹویٹر وغیرہ) b. تفریحی ذرائع c. یوٹیوب

d. خبر کے ذرائع e. دیگر (وضاحت کریں) __________

10. مندرجہ ذیل میں سے کون سی خدمات آپ زیادہ تر استعمال کرتے ہیں؟

a. موبائل بینکنگ b. ای لرننگ / تعلیم c. ای زراعت d.ای صحت

e. دیگر (وضاحت کریں) __________

11. آپ اس خدمت کو بہتر بنانےکیا تجویز کریں گے؟

a. بہتر ڈیٹا کی رفتار b.بہتر آواز کا معیار

c. بہتر کوریج d. دیگر (وضاحت کریں) __________

12. یہ سروس آپ کے معیار زندگی کو بڑھانے میں کس طرح مدد کرتی ہے؟

a. میرے علم کی سطح میں بہتری آئی ہے۔b. عوامی خدمات تک زیادہ رسائی c. میں زیادہ آسانی سے بات چیت کرسکتا ہوں d. دیگر (وضاحت کریں) ______________

13. یہ خدمت مقامی طور پر / گاؤں / تحصیل کو معاشرتی طور پر کس طرح متاثر کررہی ہے؟

a. تعلیمی ضروریات کو پورا کرنے میں مددb. کاروباری ضروریات کو پورا کرنے میں مدد کرناc. عوامی سہولیات (ہسپتال ، پولیس ، اسکول وغیرہ) کے ساتھ بات چیت d. سماجی واقعات کا بندوبست اور معلومات حاصل کرنا