AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ORGANIZATIONS
(TELECOMMUNICATION SECTOR)
AUDIT YEAR 2022-23

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Power 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 financial year 2021-22. The Directorate General of Audit, Postal and Telecommunication Services, conducted Audit during 2022-23 on a test check basis with a view to report significant findings to the relevant stake holders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in the Annex-A of the Audit Report. The audit observations listed in the Annex-A shall be pursued with the Principal Accounting Officers at the DAC level and in all cases, where the Principal Accounting Officer do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Thematic Audit – a new concept, has been introduced and made part of this report at Chapter-11. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering it from achieving its intended objectives.

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.

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

Islamabad
Dated: 20th February, 2023

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Plan
AGPR	Accountant General Pakistan Revenues
ARDs	Annual Regulatory Dues
AR	Audit Report
BoG	Board of Governors
BoQ	Bill of Quantity
CCTV	Closed Circuit Television
CDA	Capital Development Authority
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CGA	Controller General of Accounts
CGR	Corporate Governance Rules
CMA	Controller Military Accounts
CMO	Cellular Mobile Operators
CMPAK	China Mobile Pakistan
COO	Chief Operating Officer
CPEC	China Pakistan Economic Corridor
CPF	Contributory Provident Fund
CPP	Calling Party Payment
CRV	Cash Receipt Voucher
CSP	Certified Service Provider
CTC	Casual Telephone Connection
CWO	Civil Works Organization
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DDWP	Department Development Working Party
DGMP	Director General Munitions productions
DPC	Departmental Promotion Committee
DSL	Digital Subscriber Line
DXX	Digital Cross Connect
DWDM	Dense Wavelength Division Multiplexing

EAD	Economic Affair Division
ECAC	Electronic Certification Accreditation Council
ECC	Economic Coordination Committee
ECNEC	Executive Committee of National Economic Council
ED	Executive Director
EE	External Evaluators
ERE	Employee Related Expenditure
ESR	Employee Service Regulations
ETO	Electronic Transaction Ordinance
FAB	Frequency Allocation Board
FAP	Foreign Aided Project
FB&A	Financial Budgeting and Accounting
FBA&AP	Financial Budgeting Accounting & Audit Procedure
FBR	Federal Board of Revenue
FCC	Final Capital Cost
FCF	Federal Consolidated Fund
FED	Federal Excise Duty
FFI	Fact Finding Inquiry
3G	Third Generation
4G	Forth Generation
GB	Gilgit Baltistan
GD	Goods Declaration
GFR	General Financial Rules
GHQ	General Headquarters
GPON	Gigabit Passive Optical Network
GoP	Government of Pakistan
GSM	Global Systems of Mobile
G2G	Government to Government
HEC	Higher Education Commission
HR&A	Human Resource & Administration
HRGC	Human Resource Governance Committee
HVAC	Heating, ventilation & Air Conditioning
IAS	International Auditing Standards
ICT	Information Communication Technology

IPR	Intellectual Property Rights
ISO	International Organization for Standardization
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
LMR	Land Mobile Radios
LoI	Letter of Intent
LPAF	Late Payment Additional Fee
LTE	Long Term Evolution
MB	Measurement Book
MBA	Master in Business Administration
MCS	Master of Computer Science
MES	Military Engineering Service
MNP	Mobile Number Portability
MO	Military Operations
MoITT	Ministry of Information Technology and Telecommunication
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
MoU	Memorandum of Understanding
MSAN	Multi Services Access Network
MSDN	Multi Services Data Network
NAB	National Accountability Bureau
NCOC	National Command and Operation Control
NGMS	Next Generation Mobile Service
NIDA	National Income Daily Account
NITB	National Information Technology Board
NGN	New Generation Network

NHA	National Highway Authority
NICs	National Incubation Centers
NOC	No Objection Certificate
NTC	National Telecommunication Corporation
NTN	National Tax Number
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
PEC	Pakistan Engineering Council
PFM Act	Public Financial Management Act, 2019
PKI	Public Key Infrastructure
PLA	Profit and Loss Account
POL	Petrol Oil & Lubricant
PPRA	Public Procurement Regulatory Authority
PRI	Primary Rate Interface
PSDP	Public Sector Development Programme
PST	Punjab Sales Tax
PSTN	Public Switched Telephone Network
PTA	Pakistan Telecommunication Authority
PTRA	Pakistan Telecommunication Re-Organization Act
QoS	Quality of Service
QRS	Quality Registrar System
RAN	Radio Access Network
R&D	Research and Development
RFP	Request for Proposal
RIC	Regular Income Certificate
RIO	Reference Interconnect Offer
RMS	Remote Monitoring Solution

ROW	Right of Way
SCO	Special Communications Organization
SDAs	Special Drawing Accounts
SDR	Software Defined Radios
SECP	Security & Exchange Commission of Pakistan
SIM	Subscriber Identity Module
SLA	Service Level Agreement
SME	Small and Medium Enterprises
SoPs	Standing Operating Procedure
SSA	Service Subsidy Agreement
TIP	Telephone Industries of Pakistan
TT	Telegraphic Transfer
UPS	Uninterrupted Power Supply
USF	Universal Service Fund
UGC	Under Ground Cable
VAS	Value added Services
VIM	Virtual Inter-connect Media
VPN	Virtual Private Network
WLL	Wireless Local Loop

EXECUTIVE SUMMARY

The Audit Report presents results of the audit of the accounts for financial year 2021-22 of Telecommunication Sector which includes 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 telecommunication organizations (PTA, FAB, NTC, Ignite and USF) were established under Pakistan Telecommunication (Re-organization) Act 1996 (amended in 2006). NRTC was registered as a private limited company incorporated under the Companies Ordinance, 1984 (Amendment 2017). Special Communications Organization (SCO) was established under the directives of the Prime Minister in 1976. Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 in collaboration with M/s Siemens under the Companies Act 1913 (Now the Companies Act, 2017). Telecom Foundation (TF) was established under the Charitable Endowments Act 1890 in November 1991. The Electronic Certification Accreditation Council (ECAC) was established on 18th September, 2004 under Electronic Transactions (ETO) Ordinance 2002. PTA & FAB are under the administrative control of the Cabinet Division. The Ministry of Defence Production (MoDP) administers NRTC & TIP, whereas, ECAC, Ignite, NTC, SCO, TF and USF Company are under the control of the Ministry of Information Technology & Telecommunication (MoITT).

The Director General, Postal & Telecommunication Services Audit has the mandate to carry out audit of the above ten (10) entities of the Telecommunication Sector. The Report has been finalized in light of management replies and detailed discussions. Out of these entities NRTC, USF, ECAC & PTA provided financial statements for the year 2021-22.

NTC, TF, TIP, Ignite and FAB did not provide their financial statements for the year 2021-22 till finalization of this report, therefore, audit could not comment on the financial health and discipline of these entities. Additionally, a thematic audit titled "Asset Management in Telecommunication Sector" was also conducted during the financial year 2021-22.

The Directorate General Audit had an overall budget allocation of Rs 165.149 million for the financial year, a human resource of 74 officers & allied staff. Total mandays available to this office were 18,500 out of which 3,554 man-days were utilized for the audit of entities relating to telecom sector.

a) Scope of Audit

This office is mandated to conduct audit of forty-two (42) formations working under Cabinet Division, Ministry of Defence Production and Ministry of Information Technology and Telecommunication. The 42 formations incurred an expenditure of Rs 55.288 billion and collected receipt of Rs 132.677 billion during the financial year 2021-22.

Audit coverage relating to expenditure for the current audit year comprised twenty (20) formations of 03 PAOs / Ministries having a total expenditure of Rs 18.835 billion for the financial year 2021-22. In terms of percentage, the audit coverage for expenditure was 34% of auditable expenditure.

Audit coverage relating to receipt for current audit year comprised twenty (20) formations of 03 PAOs / Ministries having a total receipt of Rs 16.434 billion for the financial year 2021-22. In terms of percentage, the audit coverage for receipt was 13% of auditable Receipt.

b. Recoveries at the instance of audit

As a result of audit, recovery of Rs 13,318.211 million was pointed out in this report. Recovery effected from January to December 2022 was

Rs 13,500.583 million which included recovery pointed out during current as well as previous years.

c. Audit Methodology

Field audit was conducted based on the review of the record, field visits, physical inspections, and periodic discussion with management. The permanent files maintained in the office of the Director General Audit (P&TS) Lahore were constantly updated after obtaining the relevant information from the entities which helped in identifying risk areas during the planning phase. The DAGP has implemented the Audit Management Information System (AMIS). Detailed risk assessment is carried out and all the significant, inherent and control risks are incorporated in AMIS. On the basis of risk assessment, audit programs containing in the specific audit procedure are devised and incorporated in AIMS and further assigned to audit teams for implementation during field audit activity.

d. Audit Impact

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

- NTC leased out its 30 Kanal land at Bhalwal. The lessee sublet 6 Kanal out of 30 Kanal as owner. The entire lease was got cancelled by the NTC from the District Registrar.
- Intellectual Property Right (IPR) Policy has been prepared by Ignite National Technology Fund and forwarded to MoITT for approval.
- Additional allowance was abolished on the recommendation of HRGC by the BoD of Ignite National Technology Fund.
- Accounting Policy prepared by PTA and forwarded to Cabinet Division for approval.
- The telecommunication entities have agreed to strengthen the mechanism for timely recovery of receivables from designated customers, telecom operators and others.
- The telecommunication entities have agreed to strengthen the internal controls and internal audit wings of their organizations.

e. Key Audit Findings of the Report

The Audit Report comprises sixty eight (68) Audit Paras pointing out serious irregularities:

i. Non-production of record was highlighted in three (03) cases[1].
ii. One case of fraud amounting to Rs 148.460 million was observed [2]
iii. HR related irregularities were highlighted in six (06) cases amounting to Rs 60.718 million[3].
iv. Violation of PPRA Rules was highlighted in six (06) cases amounting to Rs 5,978.118 million[4].
v. One (01) case of management of accounts with commercial bank was highlighted amounting to Rs 14.609 million[5].
vi. Value for money and service delivery issues were highlighted in five (05) cases amounting to Rs 1,523.521 million[6].
vii. Forty six (46) paras relating to other irregularities including outstanding receivables amounting to Rs 28,040.980 million were included in the report[7].
viii. NTC management failed to get ownership of valuable properties of NTC vested from PTCL despite the lapse of a period of 26 years[8].
ix. Record of land, buildings, vehicles, machinery & equipment and furniture & fixture was not properly maintained by SCO[9].

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[1] 1.4.1, 2.4.1 & 8.4.1
[2] 7.4.5
[3] .1.5.1,1.5.2, 2.5.1,3.4.1,7,5,1 & 8.5.1
[4] 4.4.1,5.4.1,6.4.1,7.5.2,7.5.3 & 8.5.2
[5] 6.4.2
[6] 2.6.1,3.5.1,4.5.1,4.5.2 & 5.5.1
[7] 1.6.1,1.6.2,1.6.3,1.6.4,3.6.1,3.6.1,3.6.2,3.6.3,3.6.4,3.6.5,4.6.1,4.6.2,4.6.3,5.6.1,5.6.2,6.5.1,6.5.2,6.5.3,6.5.4,7.6.1,7.6.2,7.6.3,7.6.4,7.6.5,7.6.6,7.6.7,8.6.1,8.6.2.,8.6.3,8.6.4,8.6.5,8.6.6,8.6.7,8.68,8.6.9,8.6.10,8.6.11,8.6.12,8.6.13,9.4.1,9.4.2,9.4.3,10,4.1,10.4,2,10.4.3,10.4.5 & 10.4.5
[8] Thematic audit
[9] Thematic audit

f. Recommendations

The telecommunication entities should:

i) fix responsibility for non-production of record to Audit;

ii) update and strengthen their internal controls and compliance with rules and regulations relating to HR related matters;

iii) ensure compliance of Public Procurement Regulatory Authority (PPRA) Rules, 2004 for procurement of goods and services through continuous capacity building of staff and persistent implementation of rules to ensure economy and transparency in public procurement;

iv) comply with standing instructions regarding the closure of bank accounts;

v) make renewed efforts to ensure economy, efficiency and effectiveness in their decisions during execution of projects;

vi) make efforts to recover their receivables for better financial management;

vii) implement its asset management policy in true letter and spirit; and

viii) maintain all the relevant record relating to its assets.

SECTORAL ANALYSIS

Overview of Telecom Sector

Telecommunication sector comprises of companies that make telecommunication possible on a global scale, whether it is through the phone or the Internet, airwaves or cables and wires or wireless. These companies create the infrastructure that allows data in text, voice, audio, or video to be sent anywhere in the world. Not long ago, the telecommunication sector consisted of a club of big national and regional operators however, 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. Telecommunication sector plays an important part in day to day affairs now. It is an essential component of every walk of life catering the information communication technology needs ranging from personal to business and governments. The sector has witnessed many innovations and improvements over the period and increased competition has further fuelled innovation.

Telecommunication Sector in Pakistan

Pakistan is following the global trend as people are fast becoming accustomed to 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 at the level of the masses has been galvanized recently by Covid-19 related lockdowns when people, especially in urban centres, had to take recourse to electronic means of communication.

According to Pakistan Telecommunication Authority (PTA), total number of subscribers (mobile & fixed) in Pakistan was 197 million with net addition of 10.5 million subscribers from July 2021 to June 2022[10]. There

[10]PTA's letter dated 14.12.2021

were 102.69 million broadband users in financial year 2021-22. Broadband penetration in Pakistan was 54% with 115.8 million 3G/4G subscribers. Nearly 16.1 million broadband subscribers were added in financial year 2021-22.

With the development of e-commerce, there is an urgent need for effective regulatory laws. Although such legislation was first time 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 remained a challenge. The rapid growth of telecom sector requires a stringent regulatory framework for protecting the rights of the customers. Ministry of Information Technology and Telecommunication (MoITT) is the arm of the Federal Government that is entrusted, inter alia, with the development of telecommunication links and regulation of the sector.

Role of Federal Government in telecommunication sector

The Federal Government has established different public sector entities which are responsible for different functions and operations i.e. PTA, FAB, NTC, SCO, USF, Ignite, NRTC and TIP etc. The telecommunication sector is a major contributor to GDP and can play a vital role in the economy by contributing to the well-being of society. The Federal Government introduced Telecommunication Policy 2015 which envisaged licensing regime to be enhanced & optimized to cater to emerging technologies and market trends. Licensing policy framework was required to be reviewed by MoITT in consultation with PTA keeping in view new market trends and innovation in telecom sector. Further, PTA, in consultation with FAB, was required to prepare a re-farming framework to be approved by the Federal Government by 31st December 2016. However, this framework is yet to be developed as no progress has reported by the authorities in this regard.

Role of telecommunication regulators

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 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 administratively report to Cabinet Division.

Telecom sector generates revenue for the government through authorization and renewal of telecom licenses, auction of spectrum and levying regulatory fees on operators. According to PTA, a total of Rs 348.5 billion were generated during the year 2020-21 on this account[11].

PTA introduced Mobile Device Manufacturing (MDM) registrations 2021 on 31st December, 2021. Till date, a total of 30 companies have applied and were issued MDM authorization enabling them to manufacture mobile devices in Pakistan which include both local and international brands. This will help in job creation and reduce the prices of mobiles.

In order to report on how efficiently and effectively these regulators are performing their roles, a thematic audit was planned for the 2nd by the office of the Director General Audit, Postal and Telecommunication. However, both PTA and FAB again refused to cooperate in this regard under the plea that the Auditor General of Pakistan did not have the mandate to audit their functional areas. The scope of audit was compromised due to non-provision of record.

[11]PTA's letter dated 14.12.2021 addressed to the office of the DGA, PTS

Electronic Certification Accreditation Council (ECAC) was established under the ETO 2002. The basic purpose was to grant and renew accreditation certificates to Certificate Service Providers, their cryptography services and security procedures. It remained completely dysfunctional till 2015. An effort was made to revive it but it again failed to perform its functions owing to lack of interest on the part of MoITT and non-independent management. MD, NTC has been assigned the charge to lead the ECAC during most part of its existence. As a result, the project "Root Certification Authority with Public Key Infrastructure (PKI) and Repository" has failed to start functioning as yet. The project was assigned to NTC without following PPRA rules.

Role of Telecommunication Service Providers

National Telecommunication Corporation (NTC) and Special Communication 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.

Role of telecommunication infrastructure development organizations

Universal Service Fund Company (USF) established in 2006 is responsible for infrastructure development in un-served and under-served areas of the country whereas Ignite sponsors Research and Development programmes. The telecom operators in the country have to pay 1.5% of their gross profit towards Universal Service Fund and 0.5% for Research and Development Fund, both being maintained by MoITT. The billing responsibility lies with the PTA, whereas custody of these funds, approval of projects and allocation of funds rests with the MoITT. USF identifies the projects, gets approval from the policy board working under the ambit of MoITT and allocates these projects to the telecom operators as per PPRA rules. Monitoring and timely completion of these projects is also the responsibility of USF. This report has highlighted a number of issues in the monitoring of these projects and frequent changes that are caused by improper planning of these projects.

For promoting research and development activities, the R & D Fund money is utilized through Ignite National Technology Fund Company, which was also established in 2006. In addition to sponsoring research and development, Ignite is also maintaining seven National Incubation Centres (NICs) in the country. Over the years, it has been observed that the Ignite Company is not effectively monitoring proper implementation of the terms and conditions of the contracts made with the vendors of these NICs.

Role of other organizations in telecommunication sector

National Radio & Telecommunication Corporation (NRTC) and Telephone Industries of Pakistan (TIP) are manufacturing units. These, are working under the Ministry of Defence Production. The main role 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. Timely delivery of equipment matters a lot for a manufacturing concern but NRTC is not delivering the telecommunication equipments within the target dates which is resulting in deduction of LD charges. Further, the stores are delivered to different organizations but their receivables remain outstanding for a considerable period of time.

Another organization in telecom sector is Telecom Foundation (TF) 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. This organization needs a plan to increase its revenue to carry out its welfare functions. It needs to work stringently on getting contracts from the industry. Presently it has won only few projects.

Introduction of 5G Strategy and Technology Trials

Before commercial launch of 5G services, PTA permitted tests and trials of 5G services under limited environment and on non-commercial basis. Successful trials were conducted by CMPak, Jazz and Telenor as claimed by PTA. However, the widespread use of 5G technology looks like a distant dream in case of Pakistan. MOITT issued draft 5G Policy Guidelines in December 2021 and PTA has provided its detailed recommendations for 5G services in the country. In addition to earlier authorizations to operators for 5G trial, PTA has processed Ericsson's 5G trial request which will enable trials in mm-wave band.

Conclusion

A number of similar nature irregularities are being repeatedly pointed out during audit which points towards a weak internal control. The internal audit wings exist in these entities but their reports were neither prepared nor submitted to the Board of Directors. Financial management remained poor due to huge outstanding receivables despite comprehensive recovery policies / procedures. Strong growth depends upon universal adoption of 4G / LTE and 5G services. Although telecom sector worldwide is facing revenue and growth challenges due to saturation, rapid technology changes, increasing competition, and high costs, there is a lot of growth potential for developing countries like Pakistan. As the country faces challenging times with its financial problems and resource constraints, renewed focus on telecom sector will help in bringing revenue and foreign exchange while creating diverse employment opportunities. The government should continue to strive to make the market more competitive by inducing an enabling environment, improving policy making and enact progressive laws and regulations to attract investors.

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 amended in 2006. The Authority is working under the administrative control of the Cabinet Division. Its accounts are audited by the Auditor General of Pakistan under the provision of Section 15 of Telecommunication (Re-organization) Act 1996. PTA's main functions are to:

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

B) Comments on Budget and Accounts

1.1.1 As per note 4 of financial statements, PTA created Fund and parked an amount of Rs 3,385.679 million in the Fund as Reserve for recoverable for FBR on the plea that the amount will be transferred to FCF as and when received from FBR. PTA has unjustifiably parked this amount in PTA Fund which has in turn understated the surplus to be deposited in FCF.

The management replied that the said amount has been booked as tax refund receivable from Government. The amount would be transferred to FCF as and when received from FBR.

The reply was not tenable as PTA has unjustifiably transferred this amount from accumulated surplus to reserve.

Audit recommends that the amount may be deposited into FCF.

1.1.2 As per note 16.3.1 of financial statement, an amount of Rs 31.886 million was recognized as allowance for Expected Credit Loss (ECL) in financial year 2021-22 which was not accounted for in cash flow statement. Non-accounting of ECL for determining the surplus under operating activities needs explanation.

The management replied that impact of expected credit losses in cash flow statement was nil being non-cash items. The variance of receivable balance as at 30th June 2022 & 2021 amounting to Rs 22.608 million was appearing under fee receivable as working capital changes.

The reply was not tenable as the ECL of Rs 31.886 million was required to be added back being the non cash item. Further, no documentary evidence was furnished for recognizing provision of Rs 140.040 million against the fee receivable of Rs 67.797 million in the year 2020-21.

Audit recommends that documentary evidence may be provided in support of reply.

1.1.3 As per note 12 of financial statements, freehold land of Rs 12.331 million was reclassified into leasehold land. Further, no disclosure regarding re-classification of the asset has been given in the financial statement.

The management replied that such costs related to leasehold land therefore, these were reclassified.

The reply was not tenable as during the year no significant event occurred which required reclassification of assets.

Audit recommends that adequate justification and evidence for reclassification may be provided to audit.

1.1.4 As per note 12 of financial statements, leasehold building worth Rs 23.229 million was re-classified into freehold building. Further, no disclosure regarding re-classification of the asset was given in the financial statement.

The management replied that such cost relates to freehold building therefore, these were reclassified.

The reply was not tenable as during the year no significant event occurred which required reclassification of assets.

Audit recommends that adequate justification and evidence for re-classification may be provided to audit.

1.1.5 An amount of Rs 4,144.698 million was receivable on account of profit on bank deposits, mark up on NGMS and mark up on license renewal fee but only an amount of Rs 3,295.206 million was received during the year leaving a balance Rs 849.490 million still recoverable.

Audit recommends that outstanding amount may be recovered from concerned quarters.

Table-I Audit Profile of PTA

(Rs in million)

Sl. No.	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	09	01	2,841.473	104,712.000
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	2,841.473	104,712.000
4	Foreign Aided Projects (FAP)	-	-	-	-

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,741.460 million were raised in this report which include recoveries amounting to Rs 1,337.563 million. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in million)

Sl. No.	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and misappropriation	**-**
3	Irregularities	**28.069**
A	HR related irregularities	28.069
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	2,713.391
Total		**2,741.460**

1.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				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	16	22	42
15	2011-12	35	2	0	2	0
15	2012-13	39	2	0	2	0
16	SAR 2012-13	37	2	0	2	0
17	SSRMR 2013-14	24	24	18	6	75
18	2014-15	29	14	7	7	50
19	2015-16	24	23	14	9	61
20	2016-17	27	20	17	3	85
21	2017-18	31	17	15	2	88
22	2018-19	14	8	2	6	25
23	2019-20	17	8	5	3	63
24	1997-98	7	7	7	0	100

The above table showed that the management has not exhibited adequate interest in complying to the PAC directives over many years.

AUDIT PARAS

1.4 Non-Production of Record

1.4.1 Non-production of record

According to Section 14(2) of Auditor General of Pakistan (AGP) Ordinance, 2001, the officer-in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition, in compliance of the powers given to AGP vide section 14(b) & (c). Further, Section 14(3) ibid states that "any person or authority hindering the auditorial functions of the AGP regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person".

During audit of PTA for the year 2021-22, it was observed that the management did not provide the auditable record relating to its regularity functions despite several written and verbal requests during 2021-22.

Audit pointed out this to the management and PAO during December, 2022. It was replied that matter of audit of Regulatory Functions of Regulatory Authorities by AGP was already under consideration with the Committee headed by Finance Minister in pursuance of meeting of PAC Sub-Committee–III dated 02nd December, 2022. The irregularity of the same nature was also reported in the Audit Reports for the years 2019-20 and 2021-22 respectively but PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as the Special Report of the PAC adopted by National Assembly on 29th October, 2020 had decided that the jurisdiction of the AGP and Parliament cannot be restricted to accounts only by excluding the performances of the authorities.

DAC in its meeting held on 6th January, 2023 pended the para till outcome in the matter by the committee under the chairmanship of Minister for Finance. No further progress was reported till finalization of this report.

Audit recommends that the record demanded by the Audit be provided for scrutiny besides taking action against the persons responsible for non-provision of record under section 14(3) of the AGP Ordinance 2001 and instructions of PAC.

(DP No.272)

1.5 Irregularities

A. HR related irregularities

1.5.1 Un-justified payment of gratuity – Rs 16.691 million

According to Para 8.5(4) of Estacode, in case a deputationist is proposed to be absorbed permanently in the borrowing office (either a government organization or a corporation etc), such a proposal shall be initiated by the borrowing office at least six months before the expiry of the deputation period. Such a proposal, with the written consent or request of the deputationist, shall be made by the borrowing office to the lending office which shall convey its decision to the borrowing office as well as the deputationist, by the expiry of the term of his deputation. Further, para 6(2) of ibid stipulates that a civil servant shall cease to hold lien against a post if he takes up an appointment on selection in an autonomous body under the control of Federal Government, Provincial Government, local authority or private organisation.

During audit of PTA for the year 2021-22, it was observed that an amount of Rs 16,690,532 was paid to two officers on account of gratuity against their services which were not rendered in PTA. The payment was held unauthorized as the PTA had to make payment of gratuity for only that period for which it received the services of those personnel. Detail was as follows:

Sl. No.	PDP No.	Name of Officer	Service Period in PTA	Service Period in other departments	Admissible amount of gratuity (Rs)	Amount Paid (Rs)	Excess Payment (Rs)
i	275-2023	Sajjad Latif Awan, Ex-DG	11.03.1997 to 28.04.2022	21.09.1987 to 10.03.1997 (NIPS and PTCL)	19,144,050	26,801,670	7,657,620
ii	276-2023	Muhammad Ahmad Kamal Ex-DG	01.09.1998 to 19.10.2021	27.04.1986 to 31.08.1998 (Wapda)	13,549,368	22,582,280	9,032,912
	Total						**16,690,532**

Audit pointed out this to the management and PAO during December, 2022. In case of Sl. No. i, it was replied that rights of PTCL employees were protected under Section 35(2) and 36(1) of Pakistan Telecommunication (Re-Organization) Act 1996 and their services were pensionable. Further, in case of Sl. No. ii, it was replied that the officer was appointed in PTA on 1st September, 1998 in response to the advertisement for recruitment. The payment of gratuity to both officers were made in accordance with PTA service regulations and after receipt of pension contributions from their parent departments. The irregularity of the same nature was also reported in the Audit Report for the year 2019-20 with financial impact of Rs 8.210 million but PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as the payment of gratuity made to both officers for services rendered with their parent departments before absorption / joining in PTA and was not covered under the rules.

DAC in its meeting held on 6th January, 2023 directed the management to refer the matter to Establishment Division through Cabinet Division for advice. No further progress was reported till finalization of this report.

Audit recommends that the matter may be referred to the Finance / Establishment Division for clarification besides overpaid amount may be recovered and got verified from Audit.

(DP No.275& 276)

1.5.2 Unjustified payment against inadmissible allowances - Rs 11.378 million

According to Finance Division OM dated 14th July, 2017, the salary package of Management Position Scales (MP-Scales) had been approved by the Prime Minister. Further, according to section 10(3) of Pakistan Telecommunication (Re-Organization) Act 1996, the Authority may make regulations for appointment, promotion, termination and other terms and conditions of employment of its employees. Moreover, Para 1(1.1) (1.1.3 & 1.1.5) of PTA Procedure for Sanctioning, Drawing & Disbursing of Funds states that they would not pass any order which will be directly or indirectly linked with their own benefit and the amount of expenditure should be so regulated that it is not, on the whole, a source of profit to the recipients.

During audit of PTA for the year 2021-22, it was observed that an amount of Rs. 11,377,911 was paid on account of Proficiency, Eid, House Rent, Medical and Utility Allowances to Chairman and Members of PTA. The payment was held unjustified as the Chairman and Members were appointed in MP Scales by the Federal Government with specific pay and perks. Further, as per section 10(3) of Pakistan Telecommunication (Re-Organization) Act 1996, the Authority was entitled to make regulations for appointment, promotion, termination and other terms and conditions of employment of its employees only and not for their own benefits. Hence, the following expenditure incurred was unjustified.

Sl. No.	PDP No.	Description	Amount (Rs)
i	281-2023	Payment of proficiency allowance	2,143,866
ii	282-2023	Payment of Eid Allowance	4,318,545

iii	283-2023	Overpayment against House Rent, Medical and Utility Allowance	4,915,500
Total			**11,377,911**

Audit pointed out this to the management and PAO during December, 2022. It was replied that the Members and the Chairman of the Authority were drawing Salary, Allowances and Fringe Benefits in accordance with the provisions of the section 3(7) of Telecom Act, Finance Divisions letter dated 7th September, 2009 and clarification of Ministry of Law & Justice dated 3rd August, 2021. The irregularity of the same nature was also reported in the audit report for the year 2021-22, with financial impact of Rs 5.820 million but the PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as the expenditure was incurred in violation of rules and instructions of Finance Division.

DAC in its meeting held on 6th January, 2023 directed to place the para before PAC for appropriate directives. No further progress was reported till finalization of this report.

Audit recommends that responsibility for making unjustified payments be fixed besides recovery of the amount under intimation to Audit.

(DP Nos. 281,282& 283)

1.6 Others

1.6.1 Non-recovery of fines from operators-Rs 1,106.007 million

According to Regulation 23(7) of PTA (Functions & Powers) Regulations, 2006, the licensee shall be bound to pay such fees as stipulated in the license within due dates. In addition to any other remedies available to the Authority, late payment of fees shall incur an additional fee calculated at the rate of 2% per month on the outstanding amount, for each month or part thereof from the due date until paid.

During audit of PTA for the year 2021-22, it was observed that penalty amounting to Rs1,106,007,005 was imposed by the PTA to below mentioned license holders vide various enforcement orders during 2021-22 but the amount had not so far been recovered from these operators as detailed below:

Sl. No.	Name of operator	Reason of Fine imposed	Date of enforcement order	Amount of Fine imposed (Rs)
i	M/s Wise Communication Systems Pvt. Ltd	APC for USF	12.10.2021	985,007,005
ii	M/s EDOTCO Pakistan Pvt. Ltd	Non-Fulfilment of license obligations	18.10.2021	1,000,000
iii	M/s Telenor Pakistan Pvt. Ltd	Non-adherence to applicable regularity framework	06.12.2021	50,000,000
		Non-compliance of mandatory steps/checks against change of Sims	20.05.2022	20,000,000
iv	M/s PTML	-do-	13.05.2022	20,000,000
v	M/s PMCL	Quality of service/KPI issues	14.01.20222	30,000,000
Total				**1,106,007,005**

Audit pointed out this to the management and PAO during December, 2022. It was replied that an amount of Rs 20,000,000 had been received from M/s Telenor. As regard, remaining amount of fine, the operator had challenged the recovery in the different court of law.

The reply was not tenable as no particulars of recovery were submitted to Audit for verification.

DAC in its meeting held on 6th January, 2023 pended the para and directed PTA to pursue the court case vigorously. No further progress was reported till finalization of this report.

Audit recommends that PTA improve its receivables management besides recover of the amount of this para.

(DP No.290)

1.6.2 Less surrender of funds to FCF –Rs 915.468 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.

During audit of PTA for the year 2021-22, it was observed that an amount of Rs 9,370,416,132 was received in Collection Account No. 3000942222 (NIDA-11) on 2nd November, 2021 from M/s CM Pak Ltd. against 2nd instalment of license renewal fee. The entire amount was required to be transferred to Federal Consolidated Fund (FCF). However, only an amount of Rs 8,454,948,266 was transferred, leaving a shortfall of Rs 915,467,866.

Audit pointed out this to the management and PAO during December, 2022. It was replied that mark up income i.e. Rs 915,467,866 on last instalment till 30th June, 2021 was accrued in financial statements for the year 2020-21. Consequently, the said amount had also been included in the surplus profit arrived at for the year 2020-21. The same was already deposited in FCF along with surplus for the year ended 30th June, 2021.

The reply was not tenable as the treatment of license renewal fee had to be done as per relevant provisions of the Finance Act, 2014 which required this amount to be treated as income of the Federal Government and not that of the PTA.

DAC in its meeting held on 6th January, 2023 directed the management to refer the matter to Finance Division immediately for advice. No further progress was reported till finalization of this report.

Audit recommends that necessary clarification may be sought from finance division and the same be shared with Audit.

(DP No.285)

1.6.3 Loss due to less claim of Annual Radio Frequency Spectrum Fee- Rs 460.360 million

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

During audit of PTA for the year 2021-22, it was observed that the management issued demand notices of Rs 213,029,874 to ten (10) WLL operators on account of Annual Radio Frequency Spectrum Fee (ARFSF). PTA claimed ARFSF @ Rs 58 per US Dollar instead of prevailing exchange rates. Resultantly, a loss of Rs 460,360,210 was sustained by national exchequer.

Audit pointed out this to the management and PAO during December, 2022. It was replied that PTA had been demanding the Annual Radio Frequency Spectrum Fee (ARFSF) from the WLL Operators since inception on the basis of the license condition 1.3.2 of WLL license, which provided a choice to the operator to pay either US Dollars or Pak Rupees and since ARFSF was demanded under the above referred license condition, hence fee was not charged short and no loss was caused to PTA. The irregularity of the same nature was also reported in the Audit Report for the year 2019-20 with financial impact of Rs 178.096 million but PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as an inquiry conducted by Cabinet Division under the directives of Public Accounts Committee (PAC) dated 8th June, 2022 in a similar para No 1.6.2 for the year 2019-20 had recommended to revise the agreements, fix responsibility and recover the amount. In response to inquiry report, the PAC vide its OM dated 2nd September, 2022 directed that the necessary actions may be taken as per recommendation of inquiry report and a copy of action thereof may also be communicated to this Secretariat at the earliest.

DAC in its meeting held on 6th January, 2023 directed the PTA to comply with the recommendations of inquiry report carried out by the Cabinet Division immediately. No further progress was reported till finalization of this report.

Audit recommends that recommendations of inquiry report may be implemented in letter and spirit.

(DP No. 274)

1.6.4 Non-recovery of Annual Regulatory Dues - Rs 231.556 million

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

PTA management did not recover an amount of Rs 235,395,354 on account of Annual Regulatory Dues (ARDs) from the telecom operators during 2021-22. Detail was as follows:

Sl. No.	PDP No	Description	Amount (Rs)
i	291-2023	Basic Telephony	31,616,930
ii	292-2023	Annual License Fee	12,016,033

iii	293-2023	USF Charges	138,634,081
iv	294-2023	R & D Contribution	46,232,275
v	295-2023	Annual Spectrum Fee	4,531,387
vi	296-2023	ALF-LDI’s	2,364,648
Total			**235,395,354**

Audit pointed out this to the management and PAO during December, 2022. The management replied that an amount of Rs 3,839,090 had been recovered against Sl. No. 3 to 5. The remaining amounts were subjudice.

Audit had verified the recovered amount of Rs 3,839,090 and para was reduced to the tune of Rs 231,556,264.

DAC in its meeting held on 6th January, 2023 directed the management to pursue the remaining amount and court cases vigorously. No further progress was reported till finalization of this report.

Audit recommends pursuance of court cases vigorously so that balance amount could be recovered timely.

(DP No.291 to 296)

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 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

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)

Sl. No	Description	Total Nos.	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	01	01	2,279.212	-
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	2,279.212	-
4	Foreign Aided Projects (FAP)	-	-	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 693.786 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)

Sl. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	**3.031**
A	HR related irregularities	3.031
B	Procurement related irregularities	
C	Management of Accounts with Commercial Banks	-

4	Value for money and service delivery issues	690.755
5	Others	0
Total		**693.786**

2.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				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	4	3	1	75
17	2016-17	6	4	4	0	100
18	2017-18	10	6	6	0	100
19	2018-19	5	4	2	2	50
20	2019-20	12	8	8	0	100

AUDIT PARAS

2.4 Non-Production of Record

2.4.1 Non-Production of Record

According to Section 14(2) of AGP Ordinance, 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition, in compliance to the powers given to AGP vide section 14(b) & (c) of ibid. Further, section 14(3) ibid. states that any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of Frequency Allocation Board (FAB) for the year 2021-22, the management did not provide auditable record relating to regulatory functions despite several written and verbal requests. The management claimed that the desired record was related to regulatory functions which was beyond the scope of audit.

Audit pointed out this to the management and PAO during October, 2022. It was replied that in the light of opinion of Attorney General of Pakistan conveyed by Cabinet Division upon "Audit of the Functions of Regulatory Authorities by the Auditor General of Pakistan" FAB provided all auditable record related to accounts, expenditure, sanctions, receipts, stores, stock, transactions and income & expenditure account along with all necessary explanations to conduct audit for the financial year 2021-22. The irregularity of the same nature was also reported in the Audit Report for the year 2021-22 but PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as the Special Report of the PAC adopted by National Assembly on 29.10.2020 had decided that the jurisdiction of the AGP and Parliament could not be restricted to accounts only by excluding the performances of the authorities.

DAC in its meeting held on 6th January, 2023, pended the para till outcome in the matter by the committee under the chairmanship of Minister for Finance. No further progress was reported till finalization of this report.

Audit recommends that the record as and when demanded by the Audit be provided for scrutiny besides taking strict disciplinary action against those held responsible for non-provision of record.

(DP No.262)

2.5 Irregularities

A. HR related Irregularities

2.5.1 Unjustified appointment of Deputy Director (Coord) – Rs 3.031 million

According to Rule 47(01) & (02) of Service Regulations of FAB, the Executive Director FAB may in the interest of FAB Organization, create, upgrade, down-grade, abolish or re-designate any post, service or cadre in the FAB provided that the employee possesses the qualification and experience prescribed under these regulations for initial appointment to the post, service or cadre to which he is being appointed. Further, as per schedule-I ibid, required minimum qualification for the post of Deputy Director Technical is B.Sc degree of electrical or electronics or telecommunication or computer engineering from a reputed institution or university each with seven years experience in the relevant field along with valid registration with Pakistan Engineering Council (PEC).

During audit of FAB for the year 2021-22 it was observed that a retired Commander Pakistan Navy requested ED FAB to accommodate him against a suitable post after his retirement vide application dated 15-04-2021. A vacant post of Dy. Director (Technical / EG-03) was re-designated as Deputy Director Coord (EG-03). The applicant was appointed as Dy. Director Coord vide notification dated 06-07-2021. The payment of Rs 3,031,308 (252609 x 12) was made to the officer during the year which was held irregular due to the following reasons:

i. The post was re-designated after the receipt of application just to accommodate the applicant.
ii. ED was authorized to re-designate the post but the required qualification of re-designated post was required to be approved from Federal Government.
iii. The officer was appointed on request without prior approval of the criteria / qualification showing that the appointment was not made in the interest of the organization.

Audit pointed out this to the management and PAO during October, 2022. It was replied that there was a dire need of a Deputy Director (Coord). The re-employment was made within framework of FAB Employees Service Regulations 2014 duly approved by Federal Government and specific provisions of law, rules and regulations.

The reply was not tenable as the FAB Regulations, 2014 were approved by Federal Government in which qualification against each post was approved. Further, the post was re-designated after receipt of the application.

DAC in its meeting held on 6th January, 2023, directed R.A Wing of Cabinet Division to carry out Fact Finding Inquiry in the matter, within one month. No further progress was reported till finalization of this report.

Audit recommends that responsibility may be fixed against those held responsible for unjustified appointment under intimation to Audit.

(DP No.135)

2.6 Value for money and service delivery issues

2.6.1 Increase of PC-I Cost due to delay in construction of Headquarters building- Rs 690.755 million

Article 2.4 of Special Conditions of Contract made with the consultant for construction of the Headquarter building states that the period of completion of services as per schedule of activities and payments shall be 180 days for design and 30 months for Construction Supervision. The services were estimated to be completed before March, 2018.

During audit of FAB for the year 2021-22, it was observed that the management entered into a consultancy contract on 19-11-2015 with M/s Progressive Consultants (Pvt) Ltd. for design and supervision of construction of FAB Headquarters Building / Monitoring Station. The consultant submitted the PC-I of the project in April, 2021 i.e. after a lapse of six (6) years which was due in 6 months. The PC-I which was submitted had a cost of Rs 1,097.245 million. Even then the work was not initiated. The PC-I was revised without assigning any reason in September, 2021 with an enhanced cost of Rs 1,788.000 million. Due to delay in preparation of PC-I, the cost was escalated by Rs 690.755 million.

Audit was of the view that mis-management on the part of FAB resulted in not only delay of the project but also escalation of cost.

Audit pointed out this to the management and PAO during October, 2022. It was replied that construction of Headquarters building was a gigantic task in which expenditure of millions of rupees was involved and many other formalities including compliance to Building Code and by-Regulation of CDA need to be complied to avoid any litigation. Upon revision of draft PC-I the same would be presented for approval before DWP in due course of time.

DAC in its meeting held on 6th January, 2023 directed FAB to provide approved PC-I to Audit immediately. No further progress was reported till finalization of this report.

Audit recommends that responsibility may be fixed against those held responsible for abnormal delay. Timelines may also be fixed to complete the project.

(DP No.264)

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) Private Limited was established on 16th February, 1966. The Corporation is registered under the Companies Ordinance, 1984, as a Private Limited Company. NRTC is under the administrative control of the Ministry of Defence Production.

The main objectives of the Corporation include manufacturing and assembling of all kinds of radio and wireless sets for Defence Services, jamming solutions, production of battery eliminators and distribution point boxes for PTCL and NTC. Besides the organization was also engaged in expanding its business to new products and IT solutions. The Corporation is managed by a Board of Directors headed by Secretary, Ministry of Defence Production.

B) Comments on Budget and Accounts

3.1.1 As per note 21.2 of the financial statement, an amount of Rs 2,347.1 million was outstanding against trade debts receivable out of which NRTC could not recover trade debts amounting to Rs 597.6 million which were more than 12 months old. These outstanding trade debts were 25.5% of total outstanding which showed weak receivable management that can result into further financial loss.

3.1.2 As per note 32 of financial statement, an amount of Rs 302.9 million had been recognized as exchange loss on financial instruments in 2021-22 which is 362 times higher that of corresponding exchange loss in financial year 2020-21. This showed weak financial management of the company. The loss could have been avoided if appropriate strategy for mitigating the exposure had been adopted.

3.1.3 As per note 21.3 of the financial statement, an impairment loss on financial asset amounting to Rs 133.148 million had been recognized which was 7.6% of profit after tax. The huge amount of loss on this accounts required justification on which this impairment was charged.

3.1.4 As per note 16 of the financial statement, adjustment in capital work in progress having a balance of Rs 341.239 million (2021-22), whereas according to note 15 the addition in operating assets during the year in building was 322.233 million. There is a difference of Rs 19.006 million which showed understatement of assets and needed explanation.

3.1.5 As per note 18 of the financial statement, the company made an additional investment of Rs 65 million in its subsidiary in November, 2021 and charged the same amount as provision for impairment of investment at the end of June 2022. This showed that the company made investment for which it anticipated loss even at the time of its investment. This transaction needed a thorough explanation.

3.1.6 As per note 7 of the financial statement, Depreciation Reserve Fund was created for the purpose of replacement of property, plant, machinery and equipment. The balance of said reserve for the period ending 30th June, 2022 was Rs 237.600 million. The said reserve was required to be enhanced by the same amount as that of depreciation charged i.e. Rs 105.07 million. However, the company failed to do so.

Table-I Audit Profile of NRTC

(Rs in million)

Sl. No	Description	Total Nos.	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	01	01	16,788.257	20,288.435
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	01	01	16,788.257	20,288.435
4	Foreign Aided Projects (FAP)	-	-	-	-

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,961.833 million were raised in this report. This amount also included recoveries of Rs 1,392.783 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)

Sl. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	**50.118**
A	HR related irregularities	-
B	Procurement related irregularities	50.118
C	Management of Accounts with Commercial Banks	-

4	Value for money and service delivery issues	26.732
5	Others	1,884.983
Total		**1,961.833**

3.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				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	1	1	50
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	78
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	2	3	40
20	2017-18	18	13	12	1	92

AUDIT PARAS

3.4 Irregularities

A. Procurement related irregularities

3.4.1 Irregular procurement of equipments – Rs 50.117 million

According to Rules 12(1) & (2) of PPRA, procurements over five hundred thousand rupees and up to the limit of three million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. Further, 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.

During audit of NRTC for the year 2021-22, it was observed that management procured UPV Audio Analyzer, Vector Network Analyzer and Handheld Spectrum Analyzer from a foreign company on single quotation basis instead of open tendering. An amount of Rs 50,117,867 was paid to the supplier during 2021-22. The expenditure was held irregular as procurement was made without observing PPRA Rules.

Audit pointed out this to the management and PAO during September and December, 2022. It was replied that equipments were procured from the Original Equipment Manufacturers (OEM) which was covered in Rule 42 (c), (ii) & (iii) of the PPRs 2004. The irregularity of the same nature was also reported in the Audit Reports for the years 2018-19 and 2021-22 with financial impact of Rs 37.920 million & Rs 19.108 million but PAO did not take remedial measures to avoid recurrence

The reply was not tenable as there were more than one manufacturers of these equipments as checked on website and tendering process was required to be followed. Further, the rules quoted related to parts / spares of already acquired equipment and not for new equipment.

DAC in its meeting held on 26th January, 2023 directed the management to get the expenditure regularized from competent forum and got verified from Audit. It was further directed that in future procurement fora may be defined for such cases and present to the Board for prior approval. No further progress was reported till finalization of this report.

Audit recommends that expenditure be got regularized from competent forum besides fixing the responsibility for violation of PPRA Rules.

(DP No. 145 & 151)

3.5 Value for money and service delivery issues

3.5.1 Loss to NRTC due to deduction of LD charges – Rs 26.732 million

According to Clauses 23,3.5 (iii) & 8.2 of the contract agreements No. 1890081, 436432 & 1490391 / R-1506 / 370916 dated 30.06.2020, 07.06.2020 & 12.10.2015 respectively, the liquidity damages up to 2% per month are liable to be imposed on the supplier by the purchaser, if the store are supplied after the expiry of the delivery date without any valid reasons. Total value of LD shall not exceed 10% of the contract.

During audit of NRTC for the year 2021-22, it was observed that management made three agreements amounting to Rs 361,712,957 with M/s Directorate of Procurement (Navy) & Air Headquarter for implementation of FTTH (Fibre to the Home) Project, supply of vision equipments and spares. NRTC did not deliver the requisite store within the stipulated time. The Directorate of Procurement (Navy) & Air Headquarter deducted LD charges of Rs 26,731,640 causing loss to the Corporation. Detail was as follows:

Sl. No.	PDP No	Name of contractor	Subject	LD Charges (Rs)
i	146-23	Directorate of Procurement (Navy)	Ill-planning resulted into deduction of LD charges	13,317,683
ii	153-23	Directorate of Procurement (Air Headquarter)	Defective planning and delayed finalization of purchase orders resulted into deduction of LD charges	3,936,205
iii	164-23	Directorate of Procurement (Navy)	Loss due to deduction of LD charges	9,477,752
			Total:	**26,731,640**

Audit pointed out this to the management and PAO during September and December, 2022. It was replied that the matter had been taken up with concerned authorities for revisions in agreements and waiver of liquidated damages. The irregularity of the same nature was also reported in the Audit Reports for the years 2018-19, 2019-20 and 2021-22 with financial impact of Rs 6.115 million, Rs 17.587 million and Rs 26.229 million but PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as NRTC failed to deliver the requisite stores within the stipulated time. LD charges were also not got waived off / recovered till the finalization of the report.

DAC in its meeting held on 26th January, 2023 directed the management to recover the amount after getting waiver of LD charges from concerned agency and get it verified from Audit. In case of non-waiver, it was directed to conduct fact finding inquiry for fixing responsibiltiy.No further progress was reported till finalization of this report.

Audit recommends that hectic efforts be made to get the refund of imposed LD charges under intimation to Audit.

(DP No.146, 153 & 164)

3.6 Others

3.6.1 Non-recovery against delivered Stores - Rs 1,439.617 million

According to payment terms of the agreements signed by NRTC with the different clients, the cost of stores were required to be recovered from the clients after delivery.

During audit of NRTC for the year 2021-22, it was observed that the management did not recover an amount of Rs 1,658,944,666 from different organizations against delivered stores. Detail was as follows:

Sl. No.	PDP No	Organizations	Subject	Outstanding Amount (Rs)
i	138-23	Zarai Taraqiati Bank Limited (ZTBL)	Non-recovery of dues against completely delivered store	246,343,783
ii	140-23	Pakhtunkhwa Energy Development Organization, KP	Short-realization of payment	330,924,819
iii	142-23	Director General Procurement (Army)	Non-recovery of dues against completely delivered store	69,164,076
iv	148-23	Headquarters Civil Work Organization (CWO) Rawalpindi	Non-receipt of balance payment against delivered store	177,342,750
v	161-23	CMA (DP) Rawalpindi	Non-claiming payment against delivered store	826,408,526
vi	168-23	IMO State Nigeria	Non-recovery of outstanding amount against delivered store	8,760,712
			Total:	**1,658,944,666**

Audit pointed out this to the management and PAO during September and December 2022. It was replied against Sl. No. ii that an amount of Rs 219,327,555 had been recovered. In other cases, efforts were underway to recover the amount.

The recovered amount had been verified and para was reduced to the extent of recovered amount leaving a balance of Rs 1,439.617 million.

DAC in its meeting held on 26th January, 2023 directed the management to recover the outstanding amount from concerned agencies and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends that strenuous efforts be made to recover the outstanding amount under intimation to audit. It is also recommended that management should strengthen the recovery mechanism.

(DP Nos.138,140,142,148,161,168)

3.6.2 Non-recovery on account of Service Level Agreements – Rs 150.088 million

According to Clauses 5.2 of Service Level Agreements (SLAs) between Senior Superintendents of Central Prisons Karachi, Hyderabad, Sukkur and NRTC dated 21st October, 2nd October 2021 & 07th October, 2021 respectively, 100% amount of contract value of SLAs was to be paid to NRTC after signing the contracts.

During audit of NRTC for the year 2021-22, it was observed that the management made three SLAs for supply, installation & commissioning of Jamming System, CCTV and Surveillance System at Central Prisons Karachi, Hyderabad and Sukkur. NRTC issued six invoices of Rs 150,088,000 on 16th December, 2021 but payment was not received till finalization of this report.

Audit pointed out this to the management and PAO during September and December, 2022. It was replied that the payment was pending due to non-availability of funds with concerned agency.

The reply was not tenable as payment was to be received in advance but it was still due despite lapse of a considerable time.

DAC in its meeting held on 26th January, 2023 directed the management to recover the amount at the earliest and get it verified from Audit.No further progress was reported till finalization of this report.

Audit recommends that strenuous efforts be made to recover the outstanding amount under intimation to Audit. It is also recommended that management should strengthen the recovery mechanism.

(DPs No. 144 &157)

3.6.3 Loss due to less charging of exchange rate – Rs 35.232 million

According to Clause 15 of contracts with the purchasers, any fluctuation in the rates of exchange at the time of opening of LCs and subsequent variation at the time of payment was to be paid at actual on the production of bank documents by NRTC. In case of increase in US dollar rate, the purchaser had to make payment of the additional amount to the NRTC.

During audit of NRTC for the year 2021-22, it was observed that the management entered into three (03) contracts with Director General Munitions Production Rawalpindi. As per terms & conditions of the contracts, the management was required to recover the dollar fluctuation rates from the client which was not done. Resultantly, an amount of Rs 35,232,054 was less recovered which caused loss to NRTC.

Audit pointed out this to the management and PAO during September and December, 2022. It was replied that matter had already been taken up with DG DGMP for recovery of difference of amounts. The irregularity of the same nature was also reported in the Audit Reports for the years 2018-19, 2019-20 and 2020-21 with financial impact of Rs 35.681 million, Rs 65.497 million and Rs 54.111 million but PAO did not take remedial measures to avoid recurrence

The reply was not tenable as the management did not recover the due amount as yet.

DAC in its meeting held on 26th January, 2023 directed the management to recover the amount related to fluctuation difference and get it verified from Audit.

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

(DPs No. 139 & 143)

3.6.4 Loss due to double deposit of GST – Rs 25.916 million

According to Rule 7 read with Sl. No. 1 of Eleventh Schedule of Sales Tax Act 1990, the tax shall be withheld at the rate of 1/5th of total tax by any person or class of persons being purchaser of goods or services as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette. The seller had to deposit the remaining 4/5th of the Sales Tax amount.

During audit of NRTC for the year 2021-22, it was observed that the management made a contract valuing Rs 990,902,835 with M/s Strategic Plans Division (SPD) for sale of Land Mobile Radio (LMR) sets on 19th April, 2018. The client withheld 1/5th of GST amounting to Rs 25,915,920 and deposited with tax authorities. The same amount was also deposited by NRTC to FBR which caused loss to the Corporation.

Audit pointed out this to the management and PAO during September and December, 2022. It was replied that the matter had been taken up with concerned authority for refund.

DAC in its meeting held on 26th January, 2023 directed the management to take up the case with FBR for adjustment / refund of the amount, otherwise amount may be recovered from client and be got verified from Audit. It was further directed that such practice may be stopped in future. No further progress was reported till finalization of this report.

Audit recommends that matter be investigated to fix the responsibility on those held responsible. Efforts be made for early refund of amount of loss. It is also recommended that management should strengthen the internal control mechanism.

(DP No 152)

3.6.5 Irregular advance payment through TT in splitting manner - Rs 14.215 million

According to State Bank of Pakistan's Exchange Policy Department (EPD) Circular No.04 of 2020 dated 19th March,.2020, the advance payment facility upto US$ 25,000 or equivalent thereof in other foreign currencies, per invoice for imports of eligible items will now remain available to the importers only against import of spare parts, raw materials by manufacturing & industrial users for their own use without requirement of Letter of Credit (LC) or bank guarantee.

During audit of NRTC for the year 2021-22, it was observed that the management made procurements from foreign supplier amounting to US$ 85,000 by issuing purchase orders in splitting manner. The management made 100% advance payment to the supplier through Telephonic Transfers (TTs) by keeping the amounts below US$ 25,000 in order to avoid the requirement of LC.

Audit pointed out this to the management and PAO during December, 2022. It was replied that NRTC dealt with equipment to be used by Armed Forces and Law enforcement agencies. For manufacturing of sensitive equipment, parts / components were required from foreign countries. Certain manufacturer demanded for 100% advance instead of payment on shipment or receipt of store in Pakistan. They even did not ship the store until and unless amount was credited to their accounts.

The reply was not tenable as payment was split up and without approval of the competent authority.

DAC in its meeting held on 26th January, 2023 directed the management to get the expenditure regularized from NRTC Board of Directors under report to Audit. It was further directed that in future, prior approval from Board of Directors be obtained in such cases.No further progress was reported till finalization of this report.

Audit recommends that the matter may be investigated and expenditure be got regularized from the competent authority.

(DP 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 to the cabinet decision, National Radio Telecommunication Corporation (NRTC) had taken over the charge of TIP in Dec 2021.

TIP redefined their objectives that include to establish, maintain and operate 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

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

Table-I Audit Profile of TIP

(Rs in million)

Sl. No.	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	01	01	135.531	-
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	135.531	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 3,174.539 million were raised in this report during the current audit of TIP. This amount also includes recoveries of Rs 9.200 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)

Sl.No	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and misappropriation	**-**
3	Irregularities	**1,177.601**
A	HR related irregularities	**-**
B	Procurement related irregularities	1,177.601
C	Management of Accounts with Commercial Banks	**-**
4	Value for money and service delivery issues	259.200
5	Others	1737.738
Total		**3,174.539**

4.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				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	24	3	89
12	2013-14	19	2	1	1	50

The management should make strenuous efforts for complying with PAC directives.

AUDIT PARAS

4.4 Irregularities

A. Procurement related irregularities

4.4.1 Irregular procurement without competitive bidding - Rs 1,177.601million

According to Rules 12(1) & (2) of PPRA, procurements over five hundred thousand rupees and up to the limit of three million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. Further, 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.

During audit of TIP for the year 2021-22, it was observed that the management incurred an expenditure of Rs 1,177,600,750 on procurement of number plates, medicines and grid solar systems from various contractors. The expenditure was held irregular as the same was incurred without competitive bidding. Detail was as follows:

Sl. No.	PDP No.	Description	Amount (Rs)
i	172-2023	Procurement of retro reflective licence number plates.	414,969,986
ii	185-2023	Procurement of blank number plates.	750,363,952
iii	175-2023	Procurement of medicines.	4,493,878
iv	187-2023	Procurement of medicines.	5,371,399
v	194-2023	Procurement of grid solar systems.	2,401,535
Total			**1,177,600,750**

Audit pointed out this to the management and PAO in September and December, 2022. It was replied against Sl. No. i & ii, that procurements were made as per Rule 42(c) of PPRA. As regards Sl. No. v, the tendering was not made as solar solution installation involved some security issues whereas no relevant reply was given against procurement of medicines.

The reply was not tenable as procurements were made in violation of PPRs.

DAC in its meeting held on 26th January, 2023 directed the management to get the expenditure regularized from the Board of Directors and get it verified from Audit. It was further directed that in future, procurement fora may be defined for such cases and presented to the Board for approval. In case of purchase of medicines, it was directed to conduct a fact finding inquiry and submit report to Board as well as to Audit. No further progress was reported till finalization of this report.

Audit recommends that matter needs to be investigated to fix responsibility for incurring expenditure in violation of rules. Further the expenditure be got regularized from competent forum under report to Audit.

(DP No. 172,175, 185,187 & 194)

4.5 Value for money and service delivery issues

4.5.1 Non-transfer of title of land to TIP – Rs 259.200 million

According to Para 13.4.2 of APPM, the PAO shall ensure that Fixed Assets Register kept in his department is properly maintained and is up to date. The department / entities will regularly review their holding of fixed assets. Para 5.5.1 of FAM states that internal control structure provides assurance that assets are safe guarded against loss due to waste, abuse, mismanagement, error, fraud and other irregularities.

During audit of Telephone Industries of Pakistan (TIP) for the year 2021-22, it was observed that TIP had a regional office situated at Nappier Barrack's Compound Karachi comprising of administration building, workshop, stores and residential accommodation measuring 25,921 Sq.ft. having value of Rs 259,200,000. TIP had not got the title of ownership transferred in its name so far.

Audit pointed out this to the management and PAO in September and December, 2022. It was replied that case for transfer of title of land measuring 0.7 acre was taken up time and again with the concerned authorities of Cantonment Board, however, land had not yet been transferred in favour of TIP.

The reply was not tenable as no concrete efforts were made to transfer the title of prime land in the name of TIP for many years.

DAC in its meeting held on 26th January, 2023 directed the management to pursue the case with concerned authorties under report to Audit. No further progress was reported till finalization of this report.

Audit recommends that hectic efforts be made to get the title of land transferred in the name of TIP at the earliest.

(DP No. 171)

4.5.2 Unauthorized utilization of land and non-recovery of rent

According to Rule 14(1) of Public Sector Companies (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.

During audit of TIP for the year 2021-22, it was observed that a piece of land measuring about 10,890 sq. ft. was occupied by a private company since February, 2022. As per the management, an agreement of said land had been executed with M/s MERA PC Solutions for utilizing TIP production facility against 20% margin of profit to TIP. It was also observed that:

i. The document produced to audit was on a plain paper and therefore considered no legal value.
ii. As per this document TIP had a partnership agreement with M/s MERA PC Solution whereas in actual the space was occupied by M/s TAIDA according to physical visit of the audit team.
iii. No proof of approval from any competent forum was shown to audit regarding Public Private Partnership, as claimed by the management.
iv. Approval from Board for selection of the investor was not obtained.

Audit pointed out this to the management and PAO in September and December, 2022. It was replied that due to scarcity of resources, TIP joined hands with investors for getting the infrastructure upgraded and start manufacturing facility in the factory on profit sharing basis.

The reply was not tenable as no record for selection of M/s TAIDA was provided which was physically present at site. Further, approval was not obtained from Board of Directors for purported agreement with M/s MERA. Moreover, agreement was made on plain paper which had no legal value.

DAC in its meeting held on 26th January, 2023 directed to conduct a fact finding inquiry for fixing responsibility against those at fault and submit report to Board of Directors as well as to Audit. No further progress was reported till finalization of this report.

Audit recommends that matter be inquired at higher level to probe the actual position of whole case under report to Audit.

(DP No. 170)

4.6 Others

4.6.1 Non-claiming of refund of income tax from FBR – Rs 113.809 million

According to Section 170(1) of Income Tax Ordinance 2001, a taxpayer who had paid tax in excess of the amount which the taxpayer was properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess. Further, Section (2) ibid stipulates that an application for a refund under Sub-Section (1) shall be made within three years of the date on which Commissioner had issued the assessment order to the taxpayer for the tax year to which the refund application related. Moreover, Clause (3) (c) ibid clarified that where the Commissioner is satisfied that tax has been overpaid, the Commissioner shall refund the remainder, if any, to the taxpayer.

During audit of TIP for the year 2021-22, it was observed that refund amounting to Rs 113,809,492 was not claimed by TIP from FBR in violation of above rules since 2018 which caused heavy loss to the organization.

Audit pointed out this to the management and PAO in September and December, 2022. It was replied that TIP had filed the tax returns on the basis of management accounts as audit of financial statement was not conducted since financial year 2018-19. As soon as the financial statement would be finalized the refund would be claimed. The irregularity of the same nature was also reported in the Audit Report for the year 2020-21 with financial impact of Rs 54.790 million but PAO did not take remedial measures to avoid recurrence.

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

DAC in its meeting held on 26th January, 2023 directed the management to finalize the financial statements and refund be claimed from FBR under report to Audit. No further progress was reported till finalization of this report.

Audit recommends that the efforts be made to finalize the annual accounts besides submission of claim of the refund from FBR as early as possible.

(DP No.191)

4.6.2 Unlawful transfer of funds from pension investment account – Rs 98.000 million

The TIP Board of Directors in its meeting held on 16.07.2020 vide its resolution No. 1452 had decided that HR Committee must ensure that any kind of pension and employee reserves are not used towards employee related expenditures.

During audit of TIP for the year 2021-22, it was observed that the management transferred an amount of Rs 98,000,000 from pension and employee reserves fund to its operational account. The utilization of pension fund for TIP operations was in violation of Board decision.

Audit pointed out this to the management and PAO in September and December, 2022. It was replied that 100% shareholding of TIP was transferred to NRTC along with all liabilities. Further, the funds were utilized to meet the employees' related expenditures after the consumption of grant of the Government during the year.

The reply was not tenable as the pension funds were utilized in violation of Board decision. It was meant for a specific purpose and its utilization for some other use was unauthorized.

DAC in its meeting held on 26th January, 2023 directed the management to conduct a fact finding inquiry to ascertain the nature of funds & its utilization procedure and submit report to BoD and Audit. No further progress was reported till finalization of this report.

Audit recommends that responsibility for violation of BoD decisions be fixed and withdrawn amount may be got reversed under intimation to audit. It is also recommended that the pension fund may be utilized only for the purpose it was created for.

(DP No. 173)

4.6.3 Irregular utilization of funds - Rs 19.960 million

According to Para 2 (ii) of Controller General of Accounts letter No. 916/CGA/A.A/RP-2018(L.C), dated 16th October, 2018 revised procedures for operation of assignment accounts of Federal Government (local currency) applicable w.e.f 1st July, 2018, the authorities using the assignment accounts must ensure that not only the total expenditure is kept within the limits of the authorized appropriations but also that the funds allocated to the spending units are expended in the public interest and upon objects for which the money was provided.

During audit of TIP for the year 2021-22, it was observed that an amount of Rs 500,000,000 had been released for the salary component of the employees by Accountant General Pakistan Revenues (AGPR) in assignment account No. 2662-7. It was further observed that management made contingent expenditure of Rs 19,959,931 from the grant which was held irregular as the same was released for pay & allowances only.

Audit pointed out this to the management and PAO in September and December, 2022. It was replied that AGPR released the grant against Employee Related Expenses (ERE). Expenditure was related to contracts of HR with security agencies which also included medical facility in lieu of medical allowance as applicable in TIP.

The reply was not tenable as the payments to contractors were made from the allocation meant for ERE.

DAC in its meeting held on 26th January, 2023 directed the management to conduct a Fact Finding Inquiry and submit report to BoD and Audit. No further progress was reported till finalization of this report.

Audit recommends that responsibility for making payments against contingent expenditure be fixed against those held responsible under intimation to Audit.

(DP No. 183)

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 first notification of ECAC was issued on 18th September, 2004 but council remained dysfunctional from 2007-2015. It comprises five members, out of which four members should be from private sector and one member from the public sector designated as Chairman of ECAC.

After a gap of few 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 the accreditation to certification service provider. 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 comprise grants from the Federal Government, fee for grant and renewal of accreditation certificate and fee, not exceeding ten rupees for every certificate deposited in the repository; and fines. Further, as per Section 21 of ETO 2002, the following are the main functions of the Council:

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

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

B) Comments on budget and Accounts

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

Table-I Audit Profile of ECAC

(Rs in million)

Sl. No.	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	01	01	198.204	-
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	198.204	-
4	Foreign Aided Projects (FAP)	-	-	-	-

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 933.331 million were raised in this report during the current audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in million)

Sl.No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities (A+B+C)	**173.678**
A	HR related irregularities	-
B	Procurement related irregularities	173.678
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	546.835
5	Others	212.818
Total		**933.331**

5.3 Status of Compliance with PAC Directives

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

Audit Paras

5.4 Irregularities

A. Procurement related irregularities

5.4.1 Un-authorized expenditure on establishment of PKI project – Rs 173.678 million

According to Para 5(b) of Public Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the PAO shall ensure that funds allocated to Ministry / Division etc are spent for the purpose for which they were allocated. Further, as per Rule 5(9) of Cash Management and Treasury Single Account Rules 2020, the government offices shall ensure that not only the total expenditure is kept within the limits of the authorized ceiling but also that the funds allocated to spending units are expended in the public interest and for object for which the money was allocated.

During audit of ECAC for the year 2021-22, it was observed that the management incurred an expenditure of Rs 173,678,299 for establishment of Public Key Infrastructure (PKI) project without allotment of funds under head of account (A09)-Physical Assets. The saving from allocation of Rs 200 million under two heads i.e. employee related expenses (A01) & operating expenses (A03) was utilized for the project in violation of rules.

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that ECAC was demanding budget including Physical Asset since its inception. However, Finance Division allocated the demanded budget under two head of accounts pertaining to employee related expenses and operating expenses.

The reply was not tenable as the expenditure against head physical asset (A09) was incurred without budget allotment by Finance Division.

DAC in its meeting held on 20th January, 2023 constituted an inquiry committee comprising Member Legal and CF&AO to probe the issue by 28-02-2023 and outcome be shared with PAO and Audit. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for incurring unauthorised expenditure under intimation to Audit.

(DP No. 27)

5.5 Value for money

5.5.1 Irregular expenditure on PKI project – Rs 546.835 million

According to Rule 12(2) of PPRA 2004, all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. Further, as per Rule 15(1), a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

During audit of ECAC for the year 2021-22, it was observed that the ECAC management designed a project titled "Establishment of Certification Authority with Public Key Infrastructure (PKI) and Repository". The project was awarded to National Telecommunication Corporation (NTC) in March 2018 on Pre-deposit basis. NTC furnished three Provisional Capital Cost bills of Rs 42.532 million, Rs 255 million and Rs 547 million respectively (1285% higher than original cost). ECAC accepted the same and made payments of Rs 545,919,621 till date including an amount of Rs 173,678,299 during the year 2021-22. Following irregularities were observed:

i. The tender for establishment of PKI project was required to be floated by M/s ECAC but the said job was entrusted to NTC.
ii. ECAC awarded the work to NTC on pre-deposit basis whereas the Council had no approved pre-deposit policy.
iii. ECAC paid entire amount of PCC bill to NTC without any agreement.

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that the ECAC did not have land, building, data centre, telecom network, physical & system security and environment for international recognition / certification. The Council accordingly under PPRA Rules 11 and 42(f) authorised NTC to undertake this project on pre-deposit basis.

The reply was not tenable as irrelevant clauses of PPRA were referred. Further, Rule 42(f) (ii) describes that a procuring agency may engage in direct contracting with state owned entities with the condition that the organisation or the body shall accomplish the work or the services through its own resources without involving private sector as a partner. Moreover, ECAC had no approved pre-deposit policy.

DAC in its meeting held on 20th January, 2023 constituted an inquiry committee comprising of Member Legal and CF&AO to probe the issue by 28th February, 2023 and outcome be shared with PAO and Audit. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for violation of rules under intimation to Audit.

(DP No. 29)

5.6 Others

5.6.1 Unauthorized expenditure on the operation of Assignment Account – Rs 198.204 million

According to Para 1(iv&v) of Assan Assignment Account Procedure, 2020 issued by Finance Division duly endorsed by the CGA dated 26-10-2020, the officers of BS-17 or above on payroll of user organization concerned shall be nominated by the PAO as signatories. Any officer or person attached with a project or unit as honorary officer or board members or on attachment drawing salary from other project or unit shall not become a signatory.

During audit of ECAC for the year 2021-22, it was observed that ECAC was operating its Assignment Account through two signatories one of which was appointed in violation of above procedure. The account was being operated through one member from ECAC and the other from NTC. Appointment of signatory from NTC was in violation of rules.

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that in cases, where a project, or unit did not have any officer of BS-17 or above on its payroll, the PAO may allow signatories from controlling offices, or entities BoDs, till such officers were appointed.

The reply was not tenable as two officers of Grade 18 were available in ECAC who were not nominated as signatories.

DAC in its meeting held on 20th January, 2023 constituted an inquiry committee comprising Member Legal and CF&AO to probe the issue by 28th February, 2023 and outcome be shared with PAO and Audit. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for violation of rules besides regularization of expenditure incurred from competent forum.

(DP No. 28)

5.6.2 Unjustified payment of establishment charges to NTC – Rs 14.612 million

According to Clause 31.1 of the Contract executed between NTC and M/s Ascertia Pvt. Ltd for establishment of PKI project on turnkey basis, the contractor had to provide Technical Support Services (TSS) of all components (hardware / software) mentioned in the BoQ as per price schedule of this contract. Technical Support Services contract was to be signed separately before issuance of Provisional Acceptance Certificate (PAC) in the light of terms and conditions of Service Level Agreement (SLA). Effective date for 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.

During audit of ECAC for the year 2021-22, it was observed that the management designed a project titled "Establishment of Certification Authority with Public Key Infrastructure (PKI) and Repository" & awarded it to NTC on pre-deposit basis. NTC was paid an amount of Rs 545.919 million as full advance payment. This amount included an amount of Rs 104.377 million on account of technical support services which were required to be paid one year after the completion of the PKI project. Audit had the following observations on the payment for technical services. First, the payment was made at a stage when the project was not even initiated. Secondly, there was no justification for payment of technical services to NTC as this work could be awarded by ECAC to the vendor directly. Thirdly, the payment included 14% services charges by NTC which were unjustified in this case.

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that being same management, NTC started the execution of the assignment without 100% advance payment. NTC tendered work on turnkey basis which included the support services. Hence the support service charges were part of the Provisional Capital Cost bill. However, these payments would be reconciled upon receipt of Final Capital Cost bill from NTC.

The reply was not tenable as the payment on account of remote support services were required to be paid after completion of the project (2^{nd} to 5^{th} year after completion of the project). Moreover, ECAC could have awarded the Service Level contract at the appropriate time.

DAC in its meeting held on 20th January, 2023 directed the management that matter may be investigated at Ministry level for making advance payment of support services besides revision of PCC bill and recovery of unjustified payment from NTC. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for violation of rules besides recovery of un-justified amount under intimation to Audit.

(DP No. 30)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-6

IGNITE NATIONAL TECHNOLOGY FUND

Chapter 6

Ignite National Technology Fund (MoITT)

6.1 Introduction

A) Federal Government established a Fund called the Research and Development Fund under sub-section (1) of Section 33 C of Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006. The Research and Development Fund is under the control of the MoITT and the balance to the credit of the R&D Fund is not lapsable 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 contribution from the licences.

The Fund shall be utilized exclusively for prescribed Research and Development activities in the field related to Information and Communication Technology and other expenditure incurred by the Federal Government in managing 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. In terms of Rule (4) ibid*,* MoITT established a non-profit company limited by guarantee for implementation of research and development projects in the information and communication technology sectors. The company is managed by a Board of Directors headed by Minister of IT as its

Chairperson to run the affairs of the company.

B) Comments on budget and Accounts

Ignite 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 IGNITE

(Rs in million)

Sl. No.	Description	Total Nos.	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	01	01	856.800	400
2	• Assignment Accounts • SDAs	01	01	856.800	400
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 541.621 million were raised in this report during the current audit of IGNITE. This amount also included recoveries of Rs 372.907 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)

Sl.No	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and misappropriation	**-**
3	Irregularities (A+B+C)	**34.109**
A	HR related irregularities	-
B	Procurement related irregularities	19.500
C	Management of Accounts with Commercial Banks	14.609
4	Value for money and service delivery issues	-
5	Others	507.512
	Total:	**541.621**

6.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	2011-12	44	44	2	42	05
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	2	13	13
6	2016-17	9	9	3	6	33
7	PAR 2016-17	26	26	0	26	0
8	2017-18	8	8	6	2	75
9	2019-20	9	9	6	3	67

The above table showed that the company has not exhibited adequate interest in complying to the PAC directives over many years.

AUDIT PARAS

6.4 Irregularities

A Procurement related irregularities

6.4.1 Unjustified hiring of building for NICs without open tender – Rs 19.5 million

According to Rule 12(2) of Public Procurement Rules, 2004, all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further, Ministry of Housing and Works revised rental rates for hiring of office and residential accommodations vide office memorandum No.F.12 (65)2011-Policy dated 17th March, 2017.

During audit of Ignite National Technology Fund Company for the year 2021-22, it was observed that the management executed agreements with following two Universities for hiring of space to establish National Incubation Centres. The contracts were held unjustified as the hiring was made without tender.

(Amount in Rs)

PDP No.	Name of University	Measurement of areas	Annual rent	Remarks
217-23	University of Agriculture Faisalabad	18,000 sq. ft.	12,000,000	Building was hired @ Rs 55.56 sq. ft. per month instead of Rs 35 sq. ft.
218-23	University of Sindh	13,001 sq. ft.	7,500,000	Building was hired @ Rs 48.07 sq. ft. per month instead of Rs 35 sq. ft.
		Total:	**19,500,000**	

Audit pointed out this to the management and PAO during November, 2022. It was replied that space for NICs were hired as per Rule

42 (f) of revised PPRs 2004, from both the Universities for 5 years without annual increase, whereas the rental rates of commercial buildings were between PKR 100–120 per sq. ft. in Faisalabad and PKR 300–500 in Hyderabad.

The reply was not tenable as Rule 42(f) of PPRA did not cover the hiring of space. Further, the rates of the space hired were on higher side than those approved by the Ministry of Housing and Works for these areas.

DAC in its meeting held on 17th January, 2023 directed the management to refer the case to Ministry of Housing & Works for seeking clarification under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that action may be initiated against those found responsible for hiring on excessive rates besides getting rates revised under intimation to Audit.

(DP Nos. 217 & 218)

B Management of Accounts with Commercial Banks

6.4.2 Unauthorized drawl of funds from NIC's Bank Accounts - Rs 14.609 million

According to Rule 4 (3) of Corporate Governance Rules 2013, the chief executive is responsible for the management of the Public Sector Company in financial and other matters, subject to the oversight and directions of the Board. His responsibilities include making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Ignite National Technology Fund Company for the year 2020-21, it was observed that the management hired the services of M/s LMKT to establish and maintain National Incubation Centres (NIC) at Karachi and Peshawar. An amount of Rs 14,609,340 was drawn by

M/s LMKT from NIC's bank accounts for meeting expenditures other than meant for NICs. The expenditure was incurred to defray the salaries of its employees, electricity bills and bonus etc. The management did not recover or adjust the withdrawn amount. Audit was of the view that the lack of proper monitoring resulted in unauthorized expenditure.

Audit pointed out this to the management and PAO during November and December, 2021. It was replied that M/s LMKT did not claim the amount in invoices submitted to Ignite for re-imbursement.

The reply was not tenable as M/s LMKT withdrew the amount from NIC's bank accounts for payment of their staff's salary, bonus and electricity bills etc. as was evident from vouched account provided by M/s LMKT.

DAC in its meeting held on 21st December, 2021 directed the management to fix responsibility on those found responsible for drawl of funds from NIC's bank accounts for undue payments. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for irregular drawl of funds. The organization also needs to enhance its monitoring effort to reduce occurrence of such irregularities.

(DP No. 282-22)

6.5 Others

6.5.1 Non-recovery of outstanding dues from Telecom Operators - Rs 372.907 million

According to Clause 6.1 of Long Distance International (LDI) License issued under Section 21 of the Pakistan Telecommunication (Re-organization) Act, 1996, the Licensee shall contribute to the 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 4.2.2 further stipulates that the licensee shall make this contribution within 120 days of the end of financial year.

During audit of ICT R&D Fund for the year 2021-22, it was observed that Fund management did not recover outstanding amount of Rs 372,906,824 on account of R&D contributions against the amount billed to the telecom operators during the year.

Audit pointed out this to the management and PAO during November, 2022. It was replied that an amount of Rs 53.427 million had been recovered.

The reply was not tenable as no proof of recovery was shown to Audit.

DAC in its meeting held on 17th January, 2023 directed that hectic efforts may be made to recover the amount under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that strenuous efforts be made to recover the outstanding amount under intimation to Audit. It is also recommended that management should strengthen the recovery mechanism.

(DP No. 215)

6.5.2 Conflict of interest in extension of NIC Islamabad project - Rs 119.630 million

According to paragraph 18 of object clause of Memorandum of Association (MoA), the company shall not provide any assistance to organizations, institutions and firms in which any of its Board members or any close relative of the Board member is a sponsor, officer, employee or trustee and / or member of the board of director or governing body of such other organization. Further, Article 35(b) of Article of Association (AoA) provides that for an independent Director of the IGNITE, neither they nor their spouse, descendants or relative, or any business, undertaking, company, corporation, partnership or enterprise in which they, their spouse, descendants or relative are employees, directors partners, or shareholders or have any financial, ownership, management or participation interest, shall be an applicant for a project or recipient of grant or funds by IGNITE.

During audit of Ignite National Technology Fund Company for the year 2021-22, it was observed that NIC Islamabad project was extended after completing five years for further eighteen (18) months w.e.f. 30th November, 2021 by the BoD in its 79th meeting. The extension and expenditure incurred during the extension period amounting to Rs 119,630,392 was held irregular as NIC Islamabad was being run by M/s Jazz and its CEO was member of the BoD at the time of extension.

Audit pointed out this to the management and PAO during November, 2022. It was replied that the extension was granted by the Board in the light of clarification received from PPRA wherein it was stated that the parties may extend the agreement with mutual consent for the utilization of contract amount. Moreover, representative of Jazz excused for the relevant agenda item during the BoD meeting.

The reply was not tenable as the clarification of PPRA was only for extension of the project. The matter of conflict of interest was in violation of clauses of Memorandum & Article of Association of Ignite.

DAC in its meeting held on 17th January, 2023 directed that a fact finding inquiry may be conducted at ministry level to probe the issue. No further progress was reported till finalization of this report.

Audit recommends that action may be initiated against those found responsible for violation of rules.

(DPNo. 227)

6.5.3 Overpayment of rent - Rs 14.975 million

According to Rule 4(3) of Corporate Governance Rules 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Act and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Ignite National Technology Fund Company for the year 2021-22, it was observed that the management hired office space measuring 15,328 sq. ft.at 3rd floor of Telecom Foundation (TF) complex Islamabad at the monthly rent of Rs 210 per sq. ft. w.e.f 1st November, 2020 for five years. It was observed that actual area under occupation of M/s Ignite was 9,667 sq. ft., whereas payment was being made to M/s TF for 15,328 sq. ft. Audit was of the view that extra payment of Rs 14,974,848 was made for the area not occupied by the company.

Audit pointed out this to the management and PAO during November, 2022. It was replied that M/s Telecom Foundation offered carpet area of 9,667 sq. ft. at 3rd floor and charged area of 15,328 sq. ft. @ Rs 210 per sq. ft. per month which included common area as per quotation. The same rates were presented to the Board and approved accordingly.

The reply was not tenable as the agreement was made for hiring of space of 15,328 sq. ft. at 3rd floor by M/s Ignite without mentioning common area, whereas actual measurement of occupied space was 9667 sq. ft.

DAC in its meeting held on 17th January, 2023 directed the management that a detailed report be provided to Audit for verification. No further progress was reported till finalization of this report.

Audit recommends that matter may be investigated to fix responsibility against those held responsible for overpayment besides recovery of the overpaid amount under intimation to Audit.

(DP No. 219)

6.5.4 Unauthorized appointment of External Auditors without concurrence of AGP

According to the instructions issued by the Finance Division vide O.M. No.F.3(i)-Inv III/80-406 dated 25.03.1981, appointment of the Chartered Accountant firm is required to be concurred by the Auditor General of Pakistan.

During audit of Ignite National Technology Fund Company for the year 2021-22, it was observed that M/s A.F Ferguson & Co (PWC) Chartered Accountant firm, was hired as external auditor whereas approval of the Auditor General of Pakistan was not sought in violation of above instructions.

Audit pointed out this to the management and PAO during November, 2022. It was replied that Ignite was incorporated under Section 42 of the Companies Ordinance 1984 (now Companies Act 2017). The Company followed the procedure for appointment of audit firm as prescribed under Rule 21(4) of the Corporate Governance Rules 2013. Therefore, management was of the view that Ignite, being a statutory entity, had complied with the direction as given in Finance Division's OM dated 25th March, 1981.

The reply was not tenable as MoITT vide its letter dated 06th September, 2022 had also directed for compliance of AGP instructions.

DAC in its meeting held on 17th January, 2023 directed the management that appointment of external auditors may be got approved from the office of the Auditor General of Pakistan. No further progress was reported till finalization of this report.

Audit recommends that Finance Divisions' instructions be complied in letter and spirit under intimation to Audit.

(DP No. 229)

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, to be appointed by the Federal Government. NTC is working under the administrative control of the Ministry of Information Technology and Telecommunication (MoITT). NTC was to maintain a fund known as NTC Fund which was to consist of grants and loans etc.

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

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

B) Comments on Budget and Accounts

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

Table-I Audit Profile of NTC

(Rs in million)

Sl. No	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	11	09	1,104.731	2,884.847
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	11	09	1,104.731	2,884.847
4	Foreign Aided Projects (FAP)	-	-	-	-

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 10,189.430 million were raised in this report during the current audit of NTC. This amount also includes recoveries of Rs 522.067 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)

Sl. No.	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and Misappropriation	**148.460**
3	Irregularities (A+B+C)	**243.794**
A	HR related irregularities	2.514
B	Procurement related irregularities	241.28
C	Management of Accounts with Commercial	-

4	Value for money and service delivery issues	6.906
5	Others	9,790.270
	Total:	**10,189.430**

7.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				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	15	83	15
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	8	10	44
20	2017-18	23	23	10	13	43
21	2019-20	19	19	3	16	16

Above table shows a lack of resolve on the part of the management to implement PAC directives.

Audit Paras

7.4 Reported cases of fraud, embezzlement and Misappropriation

7.4.1 Fraudulent transfer of ownership of NTC's portion by PTCL - Rs 148.460 million

According to NTC Headquarter Letter No. NTC/Bldg-62/A 88/2011 (Multan) dated 15-09-2011, the Chairman NTC instructed to give special emphasis to the sites/land which was not transferred to NTC.

During audit of Director NTC Multan for the year 2021-22, it was observed that a piece of land measuring 13000 sq. ft. of Central Telephone Office (CTO) Building Nawan Shehar, Dera Adda, Multan was vested to NTC. As per record of Revenue Department, PTCL had got transferred the total area of Central Telephone Exchange i.e. 17 Kanals 05 Marlas including the vested land of NTC in the name of PTCL fraudulently on 19th April, 2010. No concrete efforts were made by NTC for cancellation of the bogus mutation and transferring back the ownership of prime land worth Rs 148,460,000 in the name of NTC.

Audit pointed out this to the management and PAO during September and October, 2022. It was replied that the matter regarding transfer of vested land of CTO Building had already been taken up with PTCL for issuance of NOC.

The reply was not tenable as no concrete efforts were made to get the ownership of prime land transferred back from PTCL despite lapse of a period of twelve years.

DAC in its meeting held on 17th & 20th January, 2023 directed the management that the case be probed within 15 days and report be sent to Ministry and Audit. No further progress was reported till finalization of this report.

Audit recommends that matter may be taken up at higher level to get the ownership of land transferred in the name of NTC without any further delay under intimation to Audit.

(DP No.15)

7.5 Irregularities

A. HR related irregularities

7.5.1 Unauthorized expenditure incurred on appointment of staff through internal circulation - Rs 2.514 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. Further, as per Rule 2.6 (d) (iii) of NTC Service Regulations read with Schedule-III(13) qualification for appointment of Telecom Technician is F.Sc (Pre-Engg) or equivalent.

During audit of Director NTC Multan for the year 2021-22, it was observed that three employees were appointed without advertisement or wide publicity. These appointments were made through internal circulation by the management in violation of above rules. The expenditure of Rs 2,513,724 incurred on account of pay & allowances of newly recruited employees w.e.f. 01.05.2021 to 30.06.2022 was held unathorized. Detail is as follows:

Sl. No.	Name of Official	Designation	Date of Appointment	Total Gross Salary Paid (Rs)
i.	M. Abid	ES (SPS-IV)	01.05.2021	883,273
ii	Ibrahim	ES (SPS-IV)	01.05.2021	906,037
iii	M. Sajid Akbar	T. Tech (SPS-III)	01.05.2021	724,414
Total				**2,513,724**

It may be pointed out that person at Sl. No. iii in above table did not possess the required qualification for the post against which he was appointed i.e. F.Sc (Pre-Engg).

Audit pointed out this to the management and PAO during September and October 2022. It was replied that process of appointments was conducted and finalized by NTC headquarters in the light of Internal Vacancy Circular dated 09-11-2020. The official at Sl. No.3 had been reverted to his substantive post of Junior Technician.

The reply was not tenable as the appointments were made in violation of approved policy guidelines of NTC management Board and NTC Service Regulations, 2008.

DAC in its meeting held on 17th & 20th January, 2023 directed the management that matter may be investigated at Ministry level and responsibility be fixed against those held responsible for violation of the rules under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that matter may be investigated against those held responsible for violation of rules besides reversion of employees under intimation to Audit.

(DP No.16)

B. Procurement related irregularities

7.5.2 Irregular award of contract for PEHEL-911 - Rs 234.916 million

According to Rule 34(1) of Public Procurement Rules 2004, if the procuring agency has rejected all bids under Rule 33 it may call for re-bidding.

During audit of NTC for the year 2021-22, it was observed that the management floated tender for establishment and operation of call centre at Islamabad on 15th June, 2021 for universal emergency helpline at national level titled "Pakistan Emergency Helpline (PEHEL)". M/s Khazana was declared as lowest with cost of Rs 493.873 million. Two members of the financial evaluation committee, out of four, gave dissenting note stating that the bidders were not conforming to RFT clauses. Resultantly, the tender was cancelled. Instead of re-tending, the management awarded the work to M/s Khazana on the plea that it was already contracted for Digital Solution Services (DSS) of National Data Centre. Audit was of the view that award of this contract was irregular and in violation of PPRA Rule on the following grounds:

i. Retendering was required as the tender was cancelled.
ii. DSS contract for National Data Centre was not relevant to call centre work.
iii. M/s Khazana was not financially sound as it was running in operating loss.
iv. The company had not adequate experience of call centre services.

Hence, payment of Rs 234,915,963 made to the contractor from October, 2021 to June, 2022 was held irregular.

Audit pointed out this to the management during September and October, 2022. It was replied that (i) the operating loss highlighted by auditor was not relevant as the group of companies including multinational DINCLOUD was in business since long and as such the group was in profit. (ii) the Joint Venture in legal prospective is an entity aimed for particular contract / job Project and has to be signed for the particular project only so its pre-exiting is not a legal requirement. (iii) the JV had the requisite eligibility / strength.

DAC in its meeting held on 17th & 20th January, 2023 constituted an inquiry committee comprising of Member Legal and CF&AO to probe the issue, besides referring the case to FIA for investigation. No further progress was reported till finalization of this report.

Audit recommends that matter may be investigated at higher level to fix responsibility for award of work without re-tendering and non-transparent evaluation of bids under intimation to Audit.

(DP No.238)

7.5.3 Unauthorized expenditure incurred on media services - Rs 6.364 million

According to Rule 16-A(1) of PPRA the Procuring Agency shall arrange the procurement through framework agreements of recurrent or common use items, services including maintenance services and those commodities, whose market prices fluctuate during the term of the agreement, for a maximum period of three years. 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.

During audit of NTC for the year 2021-22, it was observed that two agreements for provision of media services for a period of one year were signed between two formations of NTC and M/s Real Solution (Pvt) Ltd.& M/s Wateen Telecom Ltd. The said contract agreements were renewed annually upto three years. After three years, both agreements were further extended for another year whereas the contract agreement of M/s Real Solution was further extended for 5th year w.e.f. 22.02.2021 to 21.02.2022 in violation of above rules. Hence, the payment of Rs 6,363,923 made to both contractors on account of hiring of media services was held unauthorized. Detail was as follows:

Sl. No.	PDP No.	Name of Party	Period	Amount Involved (Rs)
i	18-23	M/s Real Solution (Pvt) Limited	22.12.2018 to 21.02.2023	4,255,678
ii	18-23	M/s Wateen Telecom Limited	01.01.2019 to 31.12.2022.	1,864,200
iii	312-23	M/s Real Solution	22.12.2018 to	244,045

		(Pvt) Limited	21.02.2023	
Total				**6,363,923**

Audit pointed out this to the management during September and October, 2022. It was replied that framework agreements related to rental DRS Link base services for NTC's subscribers from one point to another and therefore, did not fall under the PPRA Rule 16-A(1) which related to services and commodities agreed through framework agreements whose market prices often fluctuated.

The reply was not tenable as the extension in contract agreements after completion of three years was made in violation of the PPRs.

DAC in its meeting held on 17th & 20th January, 2023 directed the management that necessary clarification by specifying the contents of audit observation may be obtained from PPRA under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for violation of rules.

(DP No.18 & 312)

7.6 Others

7.6.1 Pension Fund deficit due to non-recognition of liability - Rs 9,220.371 million

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

During audit of NTC for the year 2021-22, it was observed that a pension fund was being maintained in NBP Islamabad wherein annual contribution was required to be deposited by the NTC. As per actuarial valuation report as on 30th June, 2020, a cumulative amount of Rs 9,220,371,000 was payable by NTC towards pension fund which accrued due to non deposit of require funds in the pension fund at regular intervals.

It may, however, be pointed out that as per Para 2(g) of Finance Division UO dated 05th July, 2021, NTC may note that pension, gratuity and GP Fund is not allowed to the employees of autonomous bodies / semi-autonomous bodies and corporations. Further, as per Finance Division UO dated 23rd August, 2021 pension facility was available to only those employees who were transferred from erstwhile T&T / PTCL and their services in T&T / PTCL were pensionable. Therefore, an amount of Rs 472,010,258 paid as pension to 1156 retired employees on account of pension was irregular. These were other than vested employees from PTCL and the entire amount of pension was paid in violation of Finance Division's instructions.

Audit pointed out this to the management and PAO during September and October, 2022. It was replied that as far as financial plan to clear the deficit, NTC was contributing Rs 650 million per annum to the Trust (Rs 450 million for operating expenses and Rs 200 million to reduce the liability) as per approval of NTC Management Board. Regarding legality of pension payment it was stated that the case had already been taken up with Finance Division for seeking clarification. The irregularity of the same nature was also reported in the Audit Report for the year 2020-21 with financial impact of Rs 3,401.692 million but PAO did not take remedial measures to avoid recurrence

The reply was not tenable as the amount stated to have been booked in the accounts needed to be deposited in the pension fund. By not depositing the required funds, the NTC is making itself vulnerable to default on account of its pension liability in future.

DAC in its meeting held on 17th & 20th January, 2023 directed the management that amount of deficit may be deposited into Pension Fund and be got verified from audit. No further progress was reported till finalization of this report.

Audit recommends that a mechanism may be devised to clear the huge deficit of Pension Fund under intimation to Audit.

(DP No.246 & 239)

7.6.2 Non-Recovery of Revenue Receipts – Rs 105.960 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.

During audit of NTC for the year 2021-22, it was observed that the management did not recover an amount of Rs 133,354,404 on account of MSDN Intranet, Webhosting, Data Centre Revenue and Interconnect Revenue from different telecom companies and organizations during FY 2021-22. Detail was as follows:

Sl. No.	DP No.	Description	Amount (Rs)
i	258-23	Multi Services Data Network (MSDN) Intranet	5,751,416
ii		Webhosting	2,380,212
iii	261-23	Data Centre Revenue	76,796,897
iv	260-23	Interconnect revenue (PMCL)	9,100,743
v		Interconnect revenue(Telenor)	27,845,894
vi		Interconnect revenue (Ufone)	3,823,357
vii		Interconnect revenue (Zong)	7,655,885
		Total:	**133,354,404**

Audit pointed out this to the management and PAO during September and October 2022. It was replied that an amount of Rs 33.863 million had been recovered. Hectic efforts were being made for recovery of remaining amount.

An amount of Rs 27.394 million had been verified and the para had been reduced to the tune of recovered amount leaving a balance of Rs 105.960 million.

DAC in its meeting held on 17th & 20th January, 2023 directed the management that the remaining amount may be recovered and got verified from audit. No further progress was reported till finalization of this report.

Audit recommends that the outstanding amount may be recovered and get it verified from Audit. The process of recovery may also be strengthened in order to ensure timely collection.

(DP No.258,260&261)

7.6.3 Non-recovery of outstanding dues from PTCL – Rs 189.716 million

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

During audit of NTC for the year 2021-22, it was observed that an amount of Rs 189,715,854 was billed to PTCL on account of various services but NTC management did not recover the outstanding amount till date. It was pertinent to mention that no reconciliation for settlement of claims had been made with PTCL since January 2020 onwards. Detail is as follows:

Sl. No	Name of Company	Period		GST	Total (Rs)
		July – Dec	Jan – June		
i	Interconnect Revenue	18,393,106	18,568,322	5,921,525	42,882,954
ii	International Incoming through PTCL	1,726,191	1,696,324	-	3,422,515
iii	Local Areas Connectivity Charges (LACC)	940,950	610,650	248,256	1,799,856
iv	Co-Location charges	75,407,274	66,203,255	-	141,610,529
	TOTAL	**96,467,521**	**87,078,551**	**6,169,781**	**189,715,854**

Audit pointed out this to the management during September and October 2022.It was replied that the financial settlement was under process, as soon as the reconciliation was completed, the same would be informed.

The reply was not tenable as the reconciliation with PTCL for the last two years was not carried out.

DAC in its meeting held on 17th& 20th January, 2023 directed the management to recover the amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends that the outstanding amount may be recovered / adjusted with PTCL under intimation to Audit.

(DP No.259)

7.6.4 Non-recovery of outstanding dues from the subscribers – Rs 114.820 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.

During audit of NTC for the year 2021-22, it was observed that NTC management did not recover an amount of Rs127,402,123 on account of Working, Closed, Digital Subscriber Lines (DSL), Casual Service Telephone Connections and Primary Rate Interference (PRI) from different departments / subscribers. Detail was as follows:

Sl. No	Item Nos	Name of Unit	Amount (Rs)
i	9,10,11,12,13	Director NTC Lahore	24,511,838
ii	13,14,16,17,18,19	Director NTC Islamabad	52,512,270
iii	3,4,5,6,7,8	Director NTC Multan	10,621,941
iv	1	Director NTC Karachi	22,399,138
v	8,9,10,11,12	DE Phone Gujranwala	17,356,936
TOTAL			**127,402,123**

Audit pointed out this to the management and PAO during August, to October, 2022. It was replied that an amount of Rs 42.251 million had been recovered. Efforts were being made to recover the remaining amount.

An amount of Rs 12.582 million had been verified and the para had been reduced to the tune of recovered amount leaving a balance of Rs 114.820 million.

DAC in its meeting held on 17th & 20th January, 2023 directed the management that the remaining amount may be recovered and got verified from audit. No further progress was reported till finalization of this report.

Audit recommends that the strenuous efforts be made to recover the outstanding dues under intimation to Audit.

(DP No.313)

7.6.5 Non-recovery of receipt on account of provision of call centre services – Rs 88.951 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 reasons.

During audit of NTC for the year 2021-22, it was observed that the management facilitated NCOC by providing Call Centre Services to cope with COVID-19 pandemic. NTC arranged the services on credit basis being an emergency need through already hired outsourced services of M/s Sybrid. NTC demanded an amount of Rs 88,951,181 for the required service but the amount was not received till date. It was worth mentioning here that an amount of Rs 25,343,087 had been paid out of the total recoverable amount by NTC to the contractor for said service on behalf of NCOC / NITB.

Audit pointed out this to the management and PAO during September and October 2022. It was replied that efforts were being made for recovery of the outstanding dues.

DAC in its meeting held on 17th & 20th January, 2023 directed the management to recover the amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends that outstanding amount on account of provision of call centre services may be recovered and get it verified from Audit.

(DP No.241)

7.6.6 Irregular contract agreement with M/s CMPAK Ltd Rs 30.472 million

According to Rule 13(3) of Public Private Partnership Act issued in Gazette of Pakistan vide letter dated 31.03.2017, the implementing agency shall submit the bid documents and project proposal for approval of the Board. Moreover, Rule 12(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.

During audit of NTC for the year 2021-22, it was observed that an agreement was signed between NTC and M/s CMPAK for supply of 1,150 Mifi devices for Federal Investigation Authority (FIA) Islamabad on 22.06.2021. An amount of Rs 30,475,000 was received from FIA on 8th June, 2021. Following irregularities were noticed:

i. The project proposal was not got approved from Public Private Partnership Authority Board.
ii. The agreement was made without RFP & competitive bidding process.
iii. Bidding documents were not submitted to Public Private Partnership Authority for approval.
iv. The profit sharing ratio between NTC & M/s CMPAK was not defined in the contract agreement.
v. NTC was deprived of any income on easy load / top up and all the profit was earmarked to M/s CMPAK which was against the principle of propriety in violation of clause 4.7 of contract agreement.
vi. The contract was silent about the ownership of the Mifi devices after expiry of the contract agreement.

Audit pointed out this to the management during October and November 2022. It was replied that as per approved Telecom Policy 2015, NTC could improve its efficiency through partnerships with private sector for efficient operation and sustainability of NTC.

The reply was not tenable as the partnership had to be made by following the provisions of the Public Private Partnership Act.

DAC in its meeting held on 17th & 20th January, 2023 constituted a committee comprising of CF&AO and Member Legal (Telecom) to examine this issue and outcome be shared with Audit. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for violation of rules. The contract agreement may be revisited in order to bring it in line with provisions of the Act.

(DP No.118)

7.6.7 Unauthorized partnership with private party

According to Rule 13 (3) of Public Private Partnership Act issued in Gazette of Pakistan vide letter dated 31.03.2017, the implementing agency shall submit the bid documents and project proposal for approval of the Board. Moreover, Rule 12(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. Further as per Rule 7 of Treasury Rules, all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the bank which shall be included in Federal Consolidated Fund of the Federal Government. Monies received as aforesaid shall not be appropriated to meet departmental expenditure

During audit of NTC for the year 2021-22, it was observed that the management made an agreement with M/s FinErts on 10th August, 2020 for provision of ICT-VAS services on public private partnership (PPP) basis for federal & provincial government departments. The agreement was for sales of M/s FinErts products in the name of NTC as G2G against revenue sharing of 20% for NTC and 80% for FinErts. The contractor prepared a business proposal valuing Rs 1,162 million for Federal Seed Certification & Research Department (FSC&RD) under the Ministry of National Food Security & Research. The same was accepted and approved by FSC&RD and submitted to NTC for approval. A successful demonstration was also arranged by the contractor on 31st May, 2022 at MoITT in the presence of NTC officers. At completion and delivery stage of the Project, NTC declared itself as procuring agency of FSC&RD in violation of contract agreement.

Audit pointed out this to the management and PAO during September and October, 2022. It was replied that the contract was signed with M/s FinErts on Public Private Partnership basis. However, all such government funded projects were executed through bidding process as per PPRA Rules and it was clear that without open bidding the said project could not be awarded to a private firm.

The reply was not tenable as the proposal for FSC&RD was prepared by M/s FinErts with the consent of NTC management. However, on the issue of PPP contract with M/s FinErts, audit was of the view that the proposal of PPP was not got approved from the Board of Public Private Partnership Authority. Neither, the bidding documents submitted to PPP Authority for approval. Moreover, revenue sharing clause of the contract was also in contravention of treasury rules.

DAC in its meeting held on 17th & 20th January, 2023 constituted an inquiry committee comprising of Member Legal and CF&AO to probe the issue, besides referring the case to FIA for investigation. No further progress was reported till finalization of this report.

Audit recommends that strict disciplinary action may be initiated against those held responsible for making unauthorized agreement. The contract agreement may be revisited in order to bring it in line with provisions of the Act & treasury rules.

(DP No.249)

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 and Kashmir through an executive order of the Prime Minister of Pakistan dated 10th May 1976. It is managed by a Project Management Board under the Chairmanship of Signal Officer-in-Chief (Army). Its administrative control is with the Ministry of Information Technology and Telecommunication (MoITT).

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

B) Comments on Budget and Accounts

8.1.1 The expenditure statement of SCO for the financial year 2021-22 revealed that there was a saving of Rs 5.957 million under different heads of accounts. The unutilized funds were not surrendered to the Finance Division. Financial mismanagement of public funds and non-surrender of savings in time resulted in non-utilization of funds, which shows weak financial management.

Table-I Audit Profile of SCO

(Rs in million)

Sl. No	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	11	03	7,288.231	5,477.280
2	• Assignment Accounts • SDAs	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	11	03	7,288.231	5,477.280
4	Foreign Aided Projects (FAP)	-	-	-	-

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 14,858.312 million were raised in this report during the current audit of SCO. This amount also includes recoveries of Rs 5,778.668 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)

Sl. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities (A+B+C)	**4,343.046**
A	HR related irregularities	27.105
B	Procurement related irregularities	4,315.941
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-

5	Others	10,515.266
	Total:	**14,858.312**

8.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				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	9	19	32
12	2013-14	22	22	5	17	23
13	2014-15	10	10	3	7	30
14	2015-16	10	10	2	8	20
15	2016-17	6	6	3	3	50
16	2017-18	8	8	6	2	75
17	2019-20	23	23	7	16	30

The organization needs to focus on complying the PAC directives under intimation to Audit.

Audit Paras

8.4 Non-production of Record

8.4.1 Non-Production of Record

According to para 14 (2) of the powers and functions of the Auditor-General of Pakistan, the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Para 14 (3) ibid further stipulates that "any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person".

During performance audit of SCO for the year 2021-22, the management of SCO was requested to provide certain auditable record of NGMS & Pak China OFC project, vide twelve (12) requisitions served on various dates. However, the management did not provide requisite record. MoITT also directed the management of SCO to provide the requisite record vide its letter dated 25th April, 2022 but the record was not provided.

Audit pointed out this to the management and PAO during May, 2022. It was replied that all relevant record had been provided to Audit.

The reply was not tenable as the management did not provide all relevant record requested by Audit.

DAC in its meeting held on 19th& 20th May, 2022 directed the management to investigate the matter and fix responsibility against those held responsible under intimation to Audit and PAO. No further progress was reported till finalization of this report.

Audit recommends that necessary instructions should be issued at ministry level for timely provision of record in future to make audit meaningful.

(Paras 4.1.1 of both PARs)

8.5 Irregularities

A. HR /Employee related irregularities

8.5.1 Irregular appointment of project staff - Rs 27.105 million

According to Para 5(b) of system of Financial Control & Budgeting 2021, the PAO shall ensure that funds allocated to Ministry/Division etc., are spent for the purpose for which they were allocated. Further according to DO letter dated 03.11.2006 of Planning Commission Projects Wing, ECNEC in its meeting held on 18th February, 2004 directed all the executing agencies to appoint independent Project Directors for all ongoing projects. Further, the appointment of Project Director shall be made through advertisement and recruitment committee formulated by the Planning Commission.

During performance audit of SCO for the year 2021-22, it was observed that an expenditure of Rs 27,105,309 was incurred on account of pay and allowances of staff hired against two projects. The expenditure was held irregular as the salary was charged to SCO budget instead of charging it to the project. Moreover, the Project Director was not recruited through approved criteria against Pak Chine OFC Project. In NGMS project, two Field Engineers & six Field Technicians were appointed in contravention to the approved criteria for recruitment. Detail was as follows:

Sl. No.	Description	Amount (Rs)
i	After completion of Pak China OFC project, the salary was charged to SCO budget instead of charging it to the project.	8,937,880
ii	The Project Director (Pak China OFC project) was not recruited through approved criteria	8,862,240
ii	The qualification and experience of two (2) Field Engineers and six (6) Field Technicians were not according to approved criteria for recruitment. Pay & allowances of these officers /officials was held irregular (NGMS).	9,305,189
Total		**27,105,309**

Audit pointed out this to the management and PAO during May, 2022. It was replied that in case of Pak China OFC project, establishment charges were paid from SCO budget as local component of project was exhausted and project's PC-IV was not approved. The appointment of Project Director was made after advertisement. In case of NGMS project, Field Engineers were selected for the subject post having additional qualification of MCS instead of BSc /BE (Telecom).

The reply was not tenable as delay in release was not supported with data and recruitment was made without consultation with Planning Commission & MoITT. Further, services of Field Engineers and Field Technicians were hired in contravention to the approved criteria.

DAC in its meeting held on 19th & 20th May, 2022 directed the management to get the expenditure regularized and PC-IV may be approved from the competent authority. It was further directed to investigate the matter and fix responsibility against those held responsible for violation of instructions of Planning Commission. No further progress was reported till finalization of this report.

Audit recommends that responsibility may be fixed against those held responsible under intimation to Audit.

(Para No 4.1.3, 4.1.4 &4.1.3 of PARs)

B. Procurement related irregularities

8.5.2 Irregular award of procurement contracts – Rs 4,315.941 million

According to Rule 12 (2) of Public Procurement Rules 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, according to Rule 31(1) ibid, 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.

During audit of SCO for the year 2021-22, it was observed that the management entered into five contracts to the tune of Rs 4,315.941 million with various contractors. The award of contracts was held irregular as the same were given to 2nd lowest bidder instead of 1st lowest bidder after making negotiation. Detail is given in **Annexure-II.**

Audit pointed out this to the management and PAO during October and November, 2022. Irrelevant reply was provided in case of of OFC. In of data centre, it was replied that M/s Pak Datacom secured 41.2% marks whereas M/s whole cloud secured 83.84% marks. Therefore, the contract was awarded to M/s Whale Cloud. In case of cloud services, the contract was awarded to lowest evaluated bidder i.e. M/s Premium System as per Rule 36(b) 1X, the most advantageous bid. In case of Pak China OFC Project, bid price of M/s Huawei was Rs 1,512.444 million and M/s ZTE was Rs 3,329.605 million. In case of NGMS project, M/s ZTE was asked to reduce the bid price from Rs 3,792.294 million to Rs 1,690 million. On acceptance, the contract was awarded to M/s ZTE accordingly. The irregularity of the same nature was also reported in the Audit Report for the year 2021-22 with financial impact of Rs 4,372 million but PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as Rule 31(1) of PPRA prohibits any bidder from altering or modifying his bid after the bid had been opened.

DAC in its meeting held on 19th & 20th May, 2022 directed the management to investigate the matter and fix responsibility against those held responsible under intimation to Audit and PAO. Further DAC in its meeting held on 16th January 2023, directed the management to get ex-post facto approval from PAO regarding proprietary certificate. In other two cases DAC directed the management to produce relevant record for verification to Audit. No further progress was reported till finalization of this report.

Audit recommends that the matter needs to be investigated to fix responsibility for violation of rules besides getting the expenditure regularized from competent forum.

(DP No. 58 & Para No 4.3.1 & 4.3.1of PARs)

8.6 Others

8.6.1 Irregularities in withdrawal of loan amount and delay in its repayment - Rs 3,294.562 million

According to Appendix-4(Power of Attorney for draw down)of the Government Concessional Loan (GCL) agreement between the EXIM Bank of China and GoP, the Power of Attorney entrusted to the Project Director of Pak China OFC project on behalf of Secretary, EAD was conditional and to be exercised on his non-availability. Further, Ministry of Finance, (Economic Affair Division) letter No. 9(1) DMR-II/16 dated: 17.03.2022 stipulates that interest rate @ 2 per annum, Exchange Risk fee against foreign loans relent @ 15% p.a. inclusive of interest rate & Exchange Risk Credit & commitment fee @ 0.2% p.a. on the daily unutilized amount of loan will be payable by SCO against the loan agreement with EXIM Bank of China.

During performance audit of SCO for the year 2021-22, it was observed that payment of Rs 3,294.562 million was made by the Project Director on a conditional power of attorney given by the Secretary EAD to be utilized in his absence. However, the powers granted against conditional power of attorney were exercised irregularly for all payments made from foreign loan without ascertaining that the conditions of the power of attorney were met or not. It was also observed that the repayment of loan is yet to be initiated despite completion of the project. By not starting repayment of loan the management had put the organization at an undue risk of accumulation of higher interest payments. It also transpired that there were unresolved issues in ascertaining the liability of repayment of loan between Economic Affairs Division and SCO.

Audit pointed out this to the management and PAO during May, 2022. It was replied that all payments from foreign component were made through internal approval process. As regard repayment of loan, the case had already been taken up with MoITT and EAD.

DAC in its meeting held on 20th May, 2022 directed the management to get the Power of Attorney revalidated from all the Secretaries concerned posted during execution period of the project besides obtaining legal opinion on the same from Law Division. It was further directed that efforts be made for early finalization of repayment of loan from EAD to avoid further loss to national exchequer. No further progress was reported till finalization of this report.

Audit recommends that responsibility may be fixed for misuse of power of attorney under intimation to Audit. It is also recommended that the issues be resolved with EAD for early initiation of repayment proceedings.

(Para No 4.5.1 & 4.5.3of PAR)

8.6.2 Irregular award of work to M/s Celmore Technologies- Rs 1,867.760 million

According to Rule 4 of PPRA, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, Chapter 4, Rule 19(i) of GFR Vol-I stipulates that the terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein.

During audit of SCO, it was observed that certain works amounting to Rs 1867.760 million were awarded to M/s Celmore. Audit held that award of these works was irregular on the following grounds:

i. In NGMS project, the two contracts of civil work amounting to Rs 865.027 million were awarded to M/s Celmore Technologies (Pvt) Ltd. without competitive bids.

ii. In Pak China OFC project, the agreement was made between SCO & M/s Optiwave Technologies Pvt. Ltd. But M/s Optiwave was bound by SCO management to make payment of Rs 45.5 million to M/s Celmore Technologies on account of services against implementation supervision &payment milestone.

iii. The two projects titled hybrid power solution at AJK & GB were awarded to M/s ZTE but certain works i.e. civil works, supply of generators civil works design and project management involving value of Rs 957.233 million were executed from M/s Celmore despite the fact that it did not participate in the tendering process.

Audit pointed out this to the management and PAO during May, 2022. It was replied against Sl. No. i that M/s Celmore participated in different tenders fully complying with PPRA Rules, 2004 and fulfilled all prerequisites for award of contract. In case of Sl. No. ii, M/s Optiwave requested M/s Celmore Technologies for provision of certain services without involvement of SCO. In case of Sl. No. iii, it was replied that responsibility of civil work, generator sets, design and civil work as shown in responsibility matrix was due to typo error. Amendment of the same had been issued.

The reply was not tenable because as per website, M/s Celmore Technologies Pvt. Ltd. was a subsidiary of SCO and utilizing the domain of the SCO. The stance of audit was got verified by visiting website of Celmore during the DAC meeting. Further, undue favour was extended through insertion of payment clause (6.3-a of terms of payments) in contract agreement which stated as under:

“Optiwave will outsource activities worth Rs 10.5 million to Celmore as per mutually agreed terms & conditions and Implementation Supervision payment millstones”.

Moreover, the contract made with M/s ZTE clearly indicated that these works would be executed through M/s Celmore.

DAC in its meeting held on 19th & 20th May, 2022, & 16th January, 2023, directed in case of NGMS project that the management would investigate the matter to ascertain the status of M/s Celmore as subsidiary of SCO under intimation to Audit and PAO. In case of Pak OFC project, it was directed to inquire the matter, fix responsibility for undue favor extended to M/s Celmore under verification from Audit. Further, DAC pended the para with the direction to submit revised reply to Audit in the case no iii. No further progress was reported till finalization of this report.

Audit recommends that responsibility may be fixed for undue favour to M/s Celmore under intimation to Audit. The status of Celmore may also be clarified regarding its relationship with SCO.

(DP No 43 & 4.4.1 & 4.3.3 of PARs)

8.6.3 Irregular expenditure due to change in scope of projects – Rs 3,133.671 million

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

During audit of SCO for the year 2021-22, it was observed that SCO management awarded seven (07) contracts to different contractors for provision of telecom services. An expenditure of Rs 3,133,671,183 was incurred against these project which was held irregular as the scope of work approved in PC-I was changed without getting the approval from competent forum as detailed in **Annexure-III.**

Audit pointed out this to the management in October 2022 and PAO in November 2022. It was replied that sites were changed on the recommendations of the consultant after conducting the survey. Further, some minor adjustments were made keeping in view the population and priority of high public demands in specific areas. Moreover, due to non-availability of right of way / no objection certificates from the concerned authorities, alignments were changed and revised PC-1 was submitted to MoITT for obtaining approval from DDWP

The reply was not tenable as there was a material shift from the approved PC-1 and therefore, needed to be referred back to the original approving authority.

DAC in its meeting held on 16th January 2023, directed the management that PC-I may be got revised from competent forum for regularization of expenditure. It further directed to avoid such recurrence in future.

Audit recommends that matter needs to be investigated to fix responsibility for change in scope of work without the approval of competent forum. The PC-I of the project may be revised and got it approved from competent forum for regularization of expenditure under report to audit. It was also recommended that the planning and designing work is done more carefully to avoid major shift in scope of the projects.

(DP No.36,37,42,47,59,60 & 63)

8.6.4 Unauthorized expenditure from revenue – Rs 669.000 million

According to Rule 7 of Treasury Rules, all moneys received by or tendered to Government offices on account of the revenues of the Federal Government, should without undue delay be paid in full into the treasury or into the bank and shall be included in the Federal Consolidated Fund (FCF) of the Federal Government. Moneys received as aforesaid should not be appropriated to meet departmental expenses. No department of the government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the FCF of the Federal Government.

During audit of SCO for the year 2021-22, it was observed that the management paid an amount of Rs 669 million to telecom operators on account of Roaming and Calling Party Payment (CPP) charges from the revenue of organization. The payment was held unauthorized as the departmental receipt could not be utilized to meet the departmental expenditure.

Audit pointed out this to the management and PAO during October and November 2022. It was replied that interconnect charges were paid to operators from revenue account as SCO had no special budget for inter operator payments.

The reply was not tenable as rule did not allow to make payment from revenue.

DAC in its meeting held on 16th January, 2023 directed the management to obtain clarification from Finance Division and PTA. No further progress was reported till finalization of this report.

Audit recommends that a comprehensive procedure may be devised and got approved from the competent forum for such payments if warranted by the exigency of the situation. Audit also recommends that matter needs to be investigated for incurring unauthorized expenditure from the revenue of the organization, besides getting the expenditure regularized from competent forum under report to Audit.

(DP No. 56)

8.6.5 Loss due to non-deduction of Sales Tax from foreign payments - Rs 560.076 million

According to clarification issued by FBR vide letter No. F.No.3 (125) Int. Taxes/98 dated 5th July, 2013, there was no exemption for Sales Tax and Federal Excise Duty against the payments of Pak China OFC Project.

During performance audit of SCO for the year 2021-22, it was observed that SCO incurred an expenditure of Rs 3,294.562 million from loan received from EXIM Bank. These payments were made directly by the EXIM Bank to M/s Huawei Technologies in China. The management failed to deduct sales tax amounting to Rs 560.076 (3,294.562 x 17%) from this payment despite clarification issued by FBR in this regard.

Audit pointed out this to the management and PAO during May, 2022. It was replied that all payments from the foreign component were made through Project Management Board. Further, the foreign payments made under the project were exempted in the light of section 152 (7) of Income Tax Ordinance 2001.

The reply was not tenable as sales tax was recoverable in the light of the clarification issued by FBR.

DAC in its meeting held on 20th May, 2022 directed the management to inquire the matter at higher level with a view to fix responsibility for non-compliance of specific direction of FBR for Pak China OFC project which caused huge loss to the national exchequer in shape of tax evasion under intimation to audit. No further progress was reported till finalization of this report.

Audit recommends that matter needs to be investigated to fix responsibility for non-deduction of tax. Further, amount of tax may be recovered and get it verified from Audit.

(Para No. 4.5.4 of PAR)

8.6.6 Illegal expenditure on additional items – Rs 370.361 million

According to Para 2.33 of the chapter 2 of Manual for Development Projects, in general, expenditure on the establishment of new facilities (works, goods and services) is regarded as development, while expenditure on ordinary maintenance and running of existing facilities is treated as non-development and should be provided for in the non-development requirement. All operation and maintenance (O&M), expenditure on raw materials, spare parts and fuel is also to be treated as non-development expenditure.

During audit of SCO for the year 2021-22, it was observed that management made four contracts for provision of telecom services in AJ&K and GB. The price summary / BoQ of the agreements revealed that the contractors had to provide additional telecom items / part of equipment worth Rs 370,360,869 which was held illegal as the cost of the additional items was not approved in PC-I of the projects. Detail is as follows:

Sl. No.	**Name of Project**	**Name of contractor**	**Amount (Rs)**
i	Expansion of broadband services in city/towns of AJ&K and GB	M/s Communicator's Globe (Pvt.) Ltd.	173,845,000
ii	Expansion of broadband services and up-gradation of IP core & access network in AJ&K and GB	M/s Fibrehome International Technologies	78,683,900
iii	Protection of Pak-China OFC project	M/s Huawei Technologies Co. Ltd.	83,352,699
iv	Expansion of existing TDM based backhaul microwave with IP based backhaul microwave network at Gilgit Baltistan	M/s NERA Telecommunication (Pvt.) Limited	34,479,270
Total			**370,360,869**

Audit pointed out this to the management and PAO during October and November 2022. It was replied that in case of Sl. No. i, an amount of Rs 173.845 million was kept in agreement for supply of additional items. In case of Sl. No. ii it was replied that price of optional item of Rs 78.684 was locked in contract for further supply. In case of Sl. No. iv it was replied that an amount of Rs 10.103 million was kept for emergency requirement.

The reply was not tenable as the manual for development projects did not allow to purchase additional / extra spare parts against the project. Further these additional / extra spare parts were not approved in PC-I.

DAC in its meeting held on 16th January, 2023, directed the management to provide relevant record for verification to Audit. No further progress was reported till finalization of this report.

Audit recommends that matter needs to be investigated to fix responsibility for incurring expenditure on additional items and subsequently charging the expenditure to the project in violation of the instructions of Planning Commission. Further, the expenditure may be got regularized from the competent forum under report to Audit.

(DP No. 48)

8.6.7 Expenditure on building works over and above the provision of PC-I - Rs 254.928 million

As per Annexure-V of PC-I, there was provision of Rs 22,825,000 under the head Land and Civil works.

During audit of SCO for the year 2021-22, it was observed that an amount of Rs 277,752,896 was incurred by the SCO management against the provision of Rs 22,825,000 on account of building works. Resultantly, an amount of Rs 254,927,896 was spent in excess to the provisions of PC-I. The excess expenditure was met from the provisions of other heads of accounts of local component. Audit was of the view that expenditure occurred due to ill planning and lack of financial controls.

Audit pointed out this to the management and PAO during May, 2022. It was replied that there were nine nodal sites to be constructed along the deployment route of the project which could not be constructed from the allocated amount of Rs 22,825,000. The same was met from within the project financial resources of local component and there was no requirement to utilize the foreign component.

The reply was not tenable as the expenditure was incurred way beyond the provision of approved limit and met from the other heads of account.

DAC in its meeting held on 20th May, 2022 directed the management to inquire the matter with a view to fix responsibility for incurring expenditure beyond the approved cost under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that matter needs to be investigated to fix responsibility under intimation to Audit.

(Para No 4.4.1 of PAR)

8.6.8 Non-payment of Right of Way Charges to NHA - Rs 148.513 million

According to NHA Act, 1991 and National Highway Strategic (Control) Rules, 1998 as amended in 2001, use of Right of Way (RoW) of NHA is subject to grant of NOC upon payment of advance NHA dues. In order to keep the validity of the NOC intact, payment of yearly advance applicable (RoW) rentals is mandatory, otherwise such installation will be termed as unauthorized which may lead to cancellation of NOC as well as relocation of OFC outside NHA (RoW) at the risk and cost of the NOC holder.

During performance audit of SCO for the year 2021-22, it was observed that the management failed to pay an amount of Rs 148,513,000 on account of yearly advance of RoW charges as claimed by NHA against the Pak China OFC project since long.

Audit pointed out this to the management and PAO during May, 2022. It was replied that the entire provision of Rs 55 million allocated for RoW was paid to NHA as per yearly allocations from local component. However, efforts were underway for the settlement of the dispute with NHA through MoITT.

The reply was not tenable as the management was incognizant of the payment of annual advance RoW rentals which were payable till the life of the project (25 years), therefore, led to incurring of huge liability.

DAC in its meeting held on 20th May, 2022 directed the management to pay liability on account of RoW to NHA besides sharing the outcome of the case taken up with MoITT under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that efforts be made for early clearance of the liability besides proper consideration of meeting with such liabilities in future.

(Para No. 4.2.2 of PAR)

8.6.9 Unauthorized payment of Sales Tax on services – Rs 93.978 million

According to clause 40-D(5) of the Sales Tax Act 1990 (Amended upto 22.08.2022), Gilgit Baltistan (GB) was exempted for payment of tax.

During audit of SCO for the year 2021-22, it was observed that the management made contracts for telecommunication services in Gilgit Baltistan (GB) with three contractors. The management made provision in agreements for payment of sales tax on Services to the tune of Rs 93,978,473. Provision of sales tax in agreement was held unauthorized as GB was exempted for payment of any tax. The detail is attached as **Annexure-IV.**

Audit pointed out this to the management and PAO during October and November, 2022. It was replied that the sales tax on services was not claimed by M/s ZTE as yet, nor was paid. Further exemption of sale tax on services in GB was for GB residential firm/company. M/s NERA was Islamabad resident company.

The reply was not tenable as the clarification regarding exemption of tax was related to withholding tax whereas sales tax on services had been levied by each province. The GB government did not levy sales tax on services. In the instant case sales tax on services had been provisioned in the contracts for payment.

DAC in its meeting held on 16th January 2023, directed the management to obtain clarification from Gilgit Baltistan Government / FBR for applicability of sales tax on services or otherwise. No further progress was reported till finalization of this report.

Audit recommends that payment of sales tax on services may be stopped forthwith and already paid amount be got recovered from the contractors and verified from Audit.

(DP No. 50)

8.6.10 Irregular payment on account of Custom Duty - Rs 52.014 million

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

During performance audit of SCO for the year 2021-22, it was observed that an amount of Rs 131,060,274 was paid to two clearing agents on account of customs duty charges against import of telecommunication equipment and allied accessories for the project. The payment made was held irregular as the amount (Rs 6.331 million) paid to M/s SASPAK Cargo Pvt. Ltd. was in excess of actual government dues, whereas payment made to M/s Saeed Enterprises was made without any proof of payment.

Audit pointed out this to the management and PAO during May-2022. It was replied that the custom duties in lump sum were paid to the shipping agents engaged by M/s Huawei Technologies China for clearance of shipments.

The reply was not tenable as the payment of Rs 45,683,631 was made without supporting GDs, Customs duty and Sales/Income Tax challans. Further, payment of Rs 6,330,515 was made in excess of the actual government levies resulting in overpayment.

DAC in its meeting held on 20th May, 2022 directed the management to inquire and take up the matter with M/s Huawei Technologies China to produce all relevant paid challans / GDs involved against the payments besides recovery of overpaid amount under verification from Audit. No further progress was reported till finalization of this report.

Audit recommends that the amount paid in excess to the actual charges may be recovered from the responsible and deposited in the national exchequer.

(Para No.4.2.3 of PAR)

8.6.11 Loss due to less realization of stamp duty– Rs 32.273 million

According to Board of Revenue Punjab (Stamp Wing) letter dated 11th August, 2017, stamp duty @ Rs 0.25% of the contract amount shall be charged on the procurement of stores and materials under Sl. No. 22 of Schedule - I of Stamp Act, 1899.

During audit of SCO for the year 2021-22, it was observed that management signed 26 agreements with different vendors. The agreements were signed on plain papers instead of on stamp papers with prescribed value causing revenue loss of Rs 32,272,956 to the national exchequer.

Audit pointed out this to the management and PAO during October and November, 2022. It was replied that no such amendment was received in this office for applicability of stamp duty.

The reply was not tenable as the amendment in stamp Act, 1899 was made through Finance Act, 2019 and management had to abide by it.

DAC in its meeting held on 16th January 2023, directed the management to obtain clarification from concerned quarter for applicability of stamp duty under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends that amount of stamp duty be got recovered from the concerned operators, credited into federal treasury and get it verified from Audit.

(DP No. 65)

8.6.12 Non- transfer of title of land to SCO-Rs 20.00 million

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

During audit of SCO for the year 2021-22, it was observed that SCO purchased two plots of land,(approximate value of Rs 20 million), one each at Naran & Jalkhand during 2005 for installation of communication equipments. The title of land was not transferred in the name of SCO despite a lapse of 17 years.

Audit pointed out this to the management and PAO during October and November, 2022.It was replied that land of Jalkhand was procured at top of hills and lumpsum payment was made to the owner. Further, land at Naran was acquired from forest department of KP on lease basis.

The reply was not tenable as title of land was not obtained even after a lapse of about 17 years. Further, no documentary evidence was provided that land was acquired from forest department of KP on lease basis.

DAC in its meeting held on 16th January, 2023 directed the management to provide ownership documents for verification to Audit. No further progress was reported till finalization of this report.

Audit recommends hectic efforts be made for early transfer of land under intimation to Audit

(DP No. 101)

8.6.13 Overpayment to contractor due to excessive rates – Rs 18.130 million

According to para 7 (b) of the Financial Management and Powers of Principal Accounting Officers (PAO) 2021, the PAO shall be responsible for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget in accordance with the relevant policies, rules and regulations for achieving the objectives of his Ministry, Division, Department or Offices, Programme, Project and Services.

During audit of SCO for the year 2021-22, it was observed that SCO and M/s Celmore made a contract for civil works against project titled "expansion of cellular services in AJ&K" at a cost of Rs 289,750,000. As per minutes of tender evaluation committee, M/s Celmore quoted rates for development of greenfield site as Rs 5,550,000. The record, however, revealed that M/s Celmore was paid higher rates than approved by the tender evaluation committee.

For fencing at 14 sites, the contractor was paid @ Rs 1,400,000 instead of the approved rate of Rs 700,000 resulting in an overpayment of Rs 9,800,000. Similarly in case of canopies, the approved cost was lump sum Rs 5,550,000. Whereas the cost of canopies was separately paid @

Rs 170,000 per canopy for 49 sites resulting in an overpayment of Rs 8,330,000 (Rs 170,000 x 49 sites).

Audit was of the view that undue favour to the contractors resulted in an overpayment of Rs 18,130,000.

Audit pointed out this to the management and PAO during October and November, 2022. It was replied that no overpayment was made.

The reply was not tenable as the cost of fence was Rs 700,000 whereas the same was paid Rs 1,400,000 per site. Further, the cost of canopy was included in the total cost of Rs 5,550,000.

DAC in its meeting held on 16th January, 2023, directed the management to provide relevant record for verification to Audit. No further progress was reported till finalization of this report.

Audit recommends that the matter needs to be investigated to fix responsibility for making payment of fencing and canopies at excessive rates. The overpaid amount may be got recovered and get it verified from Audit.

(DP No. 49)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-9

TELECOM FOUNDATION (TF)

Chapter 9
Telecom Foundation (TF)
(MoITT)

9.1 Introduction

A) Telecom Foundation was established under Charitable Endowments Act 1890 in November 1991 through S.R.O. No. 1194(I)/91, for the welfare of serving & retired employees and families of Pakistan Telecommunication Corporation (PTC). After the promulgation of Pakistan Telecommunication (Re-Organization) Act, 1996, PTA, NTC & FAB were also included as beneficiaries. The main objectives of the Telecom Foundation are to:

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

TF is under the administrative control of Ministry of Information Technology & Telecommunication and governed by a Board of Governors (BoG) with Secretary, MoITT as its chairperson. It undertakes business & commercial ventures, civil works and other telecom projects to finance welfare and organization expenses along with rental income from real estate, owned by Telecom Foundation.

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

B) Comments on Budget and Accounts

TF 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 TF

(Rs in million)

Sl. No.	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	1	1	319.816	333.307
2	• Assignment Accounts • SDAs • ETC	-	-	-	-
3	Authorities / Autonomous Bodies etc under the PAO	1	1	319.816	333.307
4	Foreign Aided Projects (FAP)	-	-	-	-

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 342.026 million were raised in this report during the current audit of Telecom Foundation (TF). Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in million)

Sl. No.	Classification	Amount
1	Non-production of record	-

2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	342.026
Total		**342.026**

9.3 Status of Compliance with PAC Directives

Sl. No.	Audit Year	Total Paras	Total Directives	Compliance		%age
				Received	Not received	
1	2019-20	20	20	4	16	20

AUDIT PARAS

9.4 Others

9.4.1 Non-refund of Income Tax -Rs 287.940 million

According to Section 58(2)(ii) of Income Tax Ordinance 2001 (exemptions) a trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government are exempted from income tax.

During audit of Telecom Foundation for the year 2021-22, it was observed that as per financial statements for the year 2020-21, an amount of Rs 287,940,239 on account of income tax refund was lying outstanding against Tax authorities. Audit was of the view that negligence on the part of the management resulted in undue withholding of income tax.

Audit pointed out this to the management and PAO during December, 2022. It was replied that the matter had been taken up with the tax authorities. The irregularity of the same nature was also reported in the audit reports for the years 2021-22, 2020-21 and 2019-20 with financial impact of Rs 102.160 million, Rs 54.790 million and Rs 291.403 million respectively but the PAO did not take remedial measures to avoid recurrence.

The reply was not tenable as refund was not received from FBR as yet.

DAC in its meeting held on 16th January, 2023 directed the management that FBR be approached in the light of DAC direction for early refund of amount. Further, Annual Audited Accounts may also be provided for verification to audit. No further progress was reported till finalization of this report.

Audit recommends that matter may be taken up with FBR on top priority basis to resolve the issue.

(DP No. 298)

9.4.2 Loss to the Foundation due to irregular renting out of petrol pump -Rs 47.086 million

According to Rule 21 of PPRA, the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than five hundred thousand rupees. Further, Schedule-I of delegation of administrative powers of TF stipulates that the Managing Director shall be the Chief Executive in whom shall be vested the overall control, directions and supervision of all the activities, industrial, commercial, welfare or otherwise of the Telecom Foundation

During audit of Telecom Foundation for the year 2021-22, it was observed that a petrol pump measuring 10800 sq. ft in G-5 sector near diplomatic enclave was leased out to a contractor for many years. The petrol pump was irregularly leased out to the son of deceased contractor for further five years on meagre rates without competitive bidding. The estimated loss on the basis of average market rates was as under:

Particular	Amount (Rs)
Rent paid by the contractor @ Rs 40/sq.ft w.e.f 01.01.2019 to 30.06.2022 (10,800 x 40 x 42)	20,953,905
Amount of rent on Avg. rate of Rs 150/sq.ft w.e.f 01.01.2019 to 30.06.2022 (10800 x 150 x 42)	68,040,000
Amount of loss w.e.f 01.01.2019 to 30.06.2022	**47,086,095**

Audit pointed out this to the management and PAO during December, 2022. It was replied that TF had its own service and operational rules as approved by its governing authority i.e. its BoG. The property was rented out after evaluations from the market.

The reply was not tenable as PPRA rules are applicable to all public sector entities and TF was not exempted. The premises was given without competitive bidding in violation of PPRA Rules. Further, undue favour was granted by awarding new contract to the son of deceased contractor.

DAC in its meeting held on 16th January, 2023 pended the para and directed the management to provide all tendering record and revenue earned to audit for verification. No further progress was reported till finalization of this report.

Audit recommends that the lease of concessional rates may be annulled immediately and new lease be awarded under PPRA Rules. Moreover, an inquiry may be conducted for renting of land / premises without getting competitive rates through open tender and without approval of competent authority.

(DP No. 307)

9.4.3 Award of contract without tendering-Rs 7.000 million

According to Para 10(iii) (iv) of revised purchase procedure, the purchases above Rs 100,000 shall be made through purchase committee after calling tenders through press and in case where purchase proposals exceed Rs 500,000, the proposals shall be referred to MD TF H/Qtr for approval before finalization. According to Clause 4 of the Contract between Telecom Foundation and M/s Clarion Tech International Pvt. Ltd for laying of OSP/OFC network for PTCL GPON project, no advance payment was allowed against the project.

During audit of Telecom Foundation for the year 2021-22, it was observed that a contract for laying of OSP / OFC network for PTCL GPON project was executed between TF and M/s Clarion Tech International Pvt. Ltd on 28th June, 2022. Audit noticed that the work was awarded to the contractor without competitive bidding. Further, advance payment of Rs 7,000,000 was made in violation of the terms and conditions of the contract.

Audit pointed out this to the management and PAO during December, 2022. It was replied that advance payment was made for acquisition of right of way charges.

No reply was rendered for award of work without competitive bidding. There was no clause of advance payment laid down in the agreement.

DAC in its meeting held on 16th January, 2023 directed the management to conduct inquiry at Ministry Level as to why advance payment was made in violation of terms of contract. No further progress was reported till finalization of this report.

Audit recommends that responsibility may be fixed to pay advance amount to the contractor in violation of the agreement. Audit also stresses award of all contracts through PPRA in true letter and spirit.

(DP No. 306)

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION

CHAPTER-10

UNIVERSAL SERVICE FUND (USF)

Chapter 10

Universal Service Fund (USF)
(MoITT)

10.1 Introduction

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

- To bring the focus of telecom operators towards rural population and increase the level of telecom penetration significantly in the rural areas through effective and fair utilization of the Fund.
- To improve the broadband penetration in the country.
- To bring significant enhancement of e-services, in rural as well as urban areas of the country.

As per its mandate, this Fund is to be utilized exclusively for providing access to telecommunication services to people in the un-served, under-served, rural and remote areas and other expenditures to be made and incurred 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 Minister of IT as its Chairperson to run its affairs.

B) Comments on Budget and Accounts

10.1.1 Accrued interest receivable in “Current Asset” had been significantly decreased in 2021-22 to Rs 13,248 from Rs 46,566,478 in 2021 despite the fact that a reasonable amount of Rs 923,410,167 was available in the bank balance at year end. The detailed justification alongwith documentary evidence may be furnished. Further no disclosure was given against Note-12.3 in the financial statements.

10.1.2 As per note 9 of the financial statements, the advances against the projects had been increased by 54.7% in 2021-22 from Rs 3,127 million in 2020-21 to Rs 4,837.7 million in 2021-22.This indicated a spur in the Universal Service Fund Company core activities of establishment of new telecom projects. However, the company could not complete the existing projects involving Rs 1,587.5 million against which the company has already issued mobilization advances or disbursed subsidy for quite a long period. This showed weak enforcement on the part of management. Detail of projects is given as follows:

Sl. No.	Project Name	Lot	Contract Date	Subsidy upto 30.06.2022 (Rs in million)	Status
1	Broadband for Sustainable Dev	South Wazristan	26.06.2019	18.019	Mob. Adv
2	Next Gen Broadband for Sustainable Dev	Kurram	09.03.2020	18.450	Mob. Adv
3	OFC	Balochistan Package-2	25.6.2009	960.000	Upto 3rd Milestone
4	OFC	Bal-Punjab-Package-3	24.11.2009	394.000	Upto 2nd Milestone
Total				**1587.500**	

10.1.3 As per note 6 of financial statement, an amount of Rs 8.078 million was shown as transferred from Capital Work in Progress (CWIP)-Software's in financial year 2021-22. No further disclosure was given in the financial statements. Detailed justification alongwith documentary evidence may be furnished.

Table-I Audit Profile of USF Company

(Rs in million)

Sl. No.	Description	Total Nos	Audited	Expenditure audited FY 2021-22	Revenue / Receipts audited FY 2021-22
1	Formations	01	01	21,199.879	-
2	• Assignment Accounts • SDAs	01	01	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	01	01	21,199.879	-
4	Foreign Aided Projects (FAP)	-	-	-	-

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,842.944 million were raised in this report during the current audit of USF. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in million)

Sl. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities (A+B+C)	-

A	HR related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	1,842.944
	Total:	**1,842.944**

10.3 Status of Compliance with PAC Directives

Sl. No.	**Audit Year**	**Total Paras**	**Total Directives**	**Compliance**		**%age**
				Received	**Not received**	
1	2011-12	40	40	23	17	58
2	2012-13	61	61	2	59	3
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	5	4	56
7	PAR 2016-17	24	24	17	7	71
8	2017-18	11	11	9	2	82
9	2019-20	10	10	4	6	40

The low percentage in the right most columns depicts lukewarm response of the management in complying to the PAC directives.

Audit Paras

10.4 Others

10.4.1 Irregular payment of right of way charges to operators – Rs 749.617 million

According to Section 7 and 7(b) of the notification issued by the Ministry of Information Technology vide SRO No.1474(I)/2020 dated 9th October 2020, every right of way, so payable by the licensee, be it a public switched network or any other licensee, shall be exercised against a fee payable to the owners of the right of way. In case of public right of way, the public authority shall assess the right of way fee on the basis of no profit no loss basis and such fee shall include charges for application procuring, surveying, marking of the route, preparation of drawing, maintaining quality of control during the execution of works and ensuring restoration by the licensee.

During audit of USF Company for the year 2021-22, it was observed that an amount of Rs 749,617,404 was paid to different telecom operators on account of Right of Way Charges (RoW) against 16 projects. The payment was held irregular as the RoW charges were paid on the basis of per meter laying and digging of cable instead of actual payment made by the telecom operator to the local administration authority. Further, payment was made without paid receipt.

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that the contracts were awarded through open competitive bidding to the lowest bidder. There were multiple ROW issuing authorities applicable on link as well as project basis. The authorities had different approval mechanisms, approval time frames as well as applicable costs for ROWs. USF evaluated the bids on total subsidy demanded basis. Further, specific RoW charges per project could not be assessed till the start of work.

The reply was not tenable as the RoW charges were paid on lump sum basis instead of actual charges paid by the service provider to the local government / authorities. Further, the detail of routes on which RoW were obtained from the district governments was produced but detail of payment made on this account was not provided.

DAC in its meeting held on 27th December, 2022 decided to refer the para to PAC for appropriate directives. No further progress was reported till finalization of this report.

Audit recommends that the issue of difference of payment of individual items in the proposal may be resolved by the company to clear the ambiguities.

(DP No. 81)

10.4.2 Non-recovery from M/s PTCL – Rs 631.544 million

According to terms and conditions of services and subsidy agreements made with PTCL by USF, liquidated damages (LD) @ 0.5% will be levied from the contractor in case of delayed completion of work.

During audit of USF for the year 2021-22, it was observed that the management signed Service and Subsidy Agreement with M/s PTCL for provision of telecom services to un-served/ underserved areas of Baluchistan. The management failed to recover the dues from M/s PTCL on account of de-scoping of work amounting to Rs 600 million. Moreover the due amount of LD charges of Rs 31.544 million was also not recovered. It may be pointed out that de-scoping meant the telecom services would not reach to the intended beneficiaries resulting in delay in the development of an area.

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that the case was subjudice in Islamabad High Court. USF was legally debarred from recovery of receivable from PTCL till final decision.

DAC in its meeting held on 27th December, 2022 directed the management to pursue the case vigorously for early decision. No further progress was reported till finalization of this report.

Audit recommends that the case is vigorously pursued in the court of law. Moreover, there should be clarity in future contracts to protect the public interest.

(DP No. 84)

10.4.3 Non-recovery of outstanding dues – Rs 260.087 million

According to Clause 4.1.5 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 4.2.1 further stipulates that the licensee shall make this contribution within 120 days of the end of financial year.

During audit of USF for the year 2021-22, it was observed that USF Fund management did not recover an amount of Rs 260,086,657 on account of USF contributions against the amount billed to the telecom operators as detailed below:

Name of operator	Billed amount by PTA (Rs)	Receipt by MoITT (Rs)	Balance (Rs)
Telenor LDI	18,452,281	11,358,336	7,093,945
Telenor Pakistan	1,370,079,316	1,365,473,982	4,605,334
Wateen Telecom	234,880,856	118,500,707	116,380,149
Mobilink-PMCL	2,727,128,715	2,695,685,948	31,442,767
Global Connect Synergy	2,945,068	2,887,322	57,746
Nayatel	2,552,803	2,294,056	258,747
ADG LDI	1,671,096	-	1,671,096

PTCL	1,001,797,468	907,885,795	93,911,673
Nexlinx Network	4,665,200	-	4,665,200
Total	**5,364,172,803**	**5,104,086,146**	**260,086,657**

Audit pointed out this to the management and PAO during September and November, 2022. It was replied that an amount of Rs 116.296 million was recovered and efforts were underway to recover the remaining amount.

The reply was not tenable as no record was provided for verification.

DAC in its meeting held on 27th December, 2022 directed the management to produce the relevant record for verification. It further directed to recover the remaining amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends that strenuous efforts be made to recover the outstanding amount under intimation to Audit. It is also recommended that management should strengthen the recovery mechanism.

(DP No. 97)

10.4.4 Less realization of stamp duty – Rs 134.539 million

According to Finance Act 2019 issued vide letter No. F.22(19)/2019 Legis dated 30th June 2019, made amendment in Stamp Act 1899 and extended it to Islamabad Capital Territory under section 2 of the Act w.e.f 1st July 2019. The serial number 22-A of the schedule of Stamp Act 1899 prescribed contract that is to say any instrument of the nature of memorandum of agreement made or by extended into by a contract with government, corporation, local body, local authority, or organization set up or controlled by the Federal or the Provincial Government, shall charge 25 paisa for every hundred rupees or part thereof of the amount of contract on account of procurement of stores and materials.

During audit of USF Company for the year 2021-22, it was observed that USF Company entered into various contracts with telecom operators on turnkey basis. The agreements were signed on Rs 100 stamp papers of Rs 100 each instead of the prescribed value. Resultantly, an amount of Rs 134,538,952 was less realized, causing loss to the national exchequer.

Audit pointed out this to the management and PAO during September and November 2022. It was replied that Sl. No.22-A of the schedule of the Stamp Act 1899 was not applicable on services & subsidy agreements signed between USF Company and service providers. Further, the referred Sl. No. 22-A of the schedule was not part of the Stamp Act 1899 enforced in Islamabad Capital Territory. Moreover, Ministry of Law & Justice had issued clarification on the subject in June 2019.

The reply was not tenable as the Stamp Act 1899 was enforced at Islamabad Capital Territory through Finance Act 2019 w.e.f. 1st July 2019 and Sl. No.22-A was applicable at Islamabad as well as in provinces. The clarification issued by Ministry of Law & Justice was issued on 10th June 2019 prior to the enforcement of the Stamp Act 1899 at Islamabad.

DAC in its meeting held on 27th December, 2022 directed the management to refer the case to Law Division for clarification. No further progress was reported till finalization of this report.

Audit recommends that necessary clarification from Ministry of Law & Justice may be provided to Audit.

(DP No. 87)

10.4.5 Non-recovery due to conversion of mandatory *mauzas* from M/s Telenor– Rs 67.158 million

According to clause 2.01 of the agreement, the USF service provider will construct the USF network according to the accepted bill of quantity to provide the USF services. USF Company will provide the USF subsidy to assist in meeting USF network infrastructure.

During audit of USF Company for the year 2021-22, it was observed that a contract titled BSD Kohistan Lot was awarded to M/s Telenor on 13th March, 2017, for provision of telecom services to the un-served/underserved *mauzas* with subsidy payment of Rs 3,310,872,514. M/s Telenor had to cover 1283 *mauzas* including 986 mandatory *mauzas*. The schedule-C of the agreement was revised by issuing addendum on 7th July, 2021 for converting 20 mandatory *mauzas* into optional *mauzas*. The cost of these *mauzas* amounting to Rs 67,157,657 (Rs 3,310,872,514/986 x 20) was not recovered.

Audit pointed out this to the management and PAO during September and November 2022. It was replied that 20 *mauzas* were de-scoped due to low population and no infrastructure was reduced in the project. Further, no financial impact arose due to de-scoping of the mandatory *mauzas* into optional *mauzas*.

The reply was not tenable as the cost of the infrastructure was included in the total project cost and after conversion of mandatory *mauzas*, the cost of converted *mauzas* was not recovered. Moreover, removal of these *mouzas* meant that their population was deprived of the telecom services defeating the very basis of creation of USF Company.

DAC in its meeting held on 27th December, 2022 decided to refer the para to PAC for appropriate directives. No further progress was reported till finalization of this report.

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

(DP No. 86)

Chapter-11

Thematic Audit
On Asset Management
in Telecommunication Sector

1.1 Introduction

In today's digital echo system telecommunication has become the foundation for businesses, governments and communities to seamlessly connect and share information. Information Communication Technology (ICT) and Telecommunication Sector has become one of the significant sectors in the economy which contributes upto 4% of GDP[12] in services sector. Telecommunication sector has contributed significantly in connecting the nation and providing socio economic opportunities to the people of Pakistan. The Ministry of Information Technology and Telecommunication (MoITT) is responsible for devising policies, strategies and programmes relating to ICT / telecommunication sector. Pakistan Telecommunication Authority (PTA) regulates the telecom sector in line with the policy directions of Federal Government.

In order to liberalize the telecom sector and encourage the fair competition amongst the service providers, the Federal Government rolled out the telecommunication de-regulation policy in 2003 for maintaining an effective regulatory regime consistent with international best practices. Although, in last two years the global economies were severely impacted by Covid-19 pandemic however, at the same time it hailed the cascade of opportunities for Information and Communication Technologies (ICTs) which emerged as the backbone of all economic activities. During Financial Year (FY) 2021-22, the telecom sector generated revenues of PKR 694 billion. The sector substantially contributed PKR 325.2 billion[13] to the national exchequer.

1.2 Asset Management

Asset management is a broader term generally used for investing, acquiring, maintaining and managing different financial and physical assets for maximizing business value. It involves overseeing and safeguarding the assets, making procurement decisions, maintenance and replacement of

[12]PACRA Study April,2022
[13]PTA Annual Report 2022

assets, conducting the regular scanning of items and managing inventory. Asset management improves accuracy and optimizes item tracking which eliminates ghost assets. Obsolete and slow-moving items are removed from inventory listings and assets theft and losses are also mitigated. Additionally, asset management provides for the implementation of a risk management plan and improves regulatory performance.

1.3 Establishing the Audit Theme

1.3.1 Reason of Selection

There are ten entities of telecom sector under the audit jurisdiction of this Directorate. All these entities are managing the assets involving significant amounts in public sector domain. Audit has been consistently identifying certain observations in previous audit reports which related to the management of physical assets where the telecom entities were deficient to take certain corrective actions in procuring and utilizing them efficiently. Further, in some cases the assets of the Government were not safeguarded in effective manner which resulted in avoidable litigation.

1.3.2 Purpose / Objectives

The major objectives and terms of reference of thematic audit were to evaluate the following:

- Have the telecommunication entities adopted policy measures for safeguarding and utilizing assets for gainful activities?
- Is acquisition of assets being carried out by telecommunication entities after thorough need assessment / annual procurement requirement?
- Are the telecommunication entities utilizing the idle land/assets properly?
- Have the telecommunication entities made efforts for obtaining vested assets?

- Are the telecommunication entities analyzing rental contract and incorporating clauses with reference to interest of the organization / government?
- Are telecommunication entities exercising due care while executing long term leases to avoid litigations?
- Are telecommunication entities pursuing the cases of assets under litigation?
- Are the unserviceable stores and vehicles being auctioned in a timely manner?

1.3.3 Scope

Directorate General of Audit P&TS, Lahore conducted thematic audit on "Asset Management in telecommunication sector" from July to October 2022.The focus of the audit was to ascertain whether the assets of the government were being safeguarded/managed in an effective manner in following ten telecommunication organizations under the jurisdiction of this Directorate. Following formations have been covered for the subject thematic audit:

i. Pakistan Telecommunication Authority (PTA)
ii. Frequency Allocation Board (FAB)
iii. National Telecommunication Corporation (NTC)
iv. Special Communication Organization (SCO)
v. Universal Service Fund Company (USFCO)
vi. Ignite National Technology Fund(IGNITE)
vii. National Radio Telecommunication Corporation (NRTC)
viii. Telephone Industries of Pakistan (TIP)
ix. Telecom Foundation (TF)
x. Electronic Certification and Accreditation Council (ECAC)

2. Legal framework governing the Audit Theme

The telecommunication organizations (PTA, FAB, NTC, Ignite and USF) were established under Pakistan Telecommunication (Re-organization) Act, 1996 (amended in 2006). NRTC was registered as a private limited company incorporated under the Companies Act, 2017.

Special Communications Organization (SCO) was established under the directives of the Prime Minister in 1976.Telecom Foundation (TF) was established under the Charitable Endowments Act 1890 in November 1991.PTA & FAB are under the administrative control of the Cabinet Division. The Ministry of Defence Production (MoDP) administers NRTC and TIP whereas, Ignite, NTC, SCO, TF and USF Company are under the control of the Ministry of Information Technology & Telecommunication (MoITT).Following are the applicable laws:

- Pakistan Telecommunication (Re-organization) Act, 1996 (Amended 2006)
- Minutes of Board of Directors (BoD) meetings
- IFRSs governing the recognition and measurement of assets
- Asset Management Policy
- SOPs for inventory management

3. Stakeholders and governmental organizations identified as directly / indirectly involved

In addition to the formations being scrutinized here, the following stakeholders are involved in relation to the subject thematic audit.

- Cabinet Division
- Ministry of Information Technology and Telecommunication
- Ministry of Defence Production

4. Role of important organizations

The administrative Ministries of telecom entities are major stakeholders having significant roles, being provider of policy directives and their monitoring and implementation. Moreover, all these entities therein on public money therefore their assets are public assets and the administrative Divisions are responsible for the safeguard of these assets. Further, the telecom entities have also an important role in their Asset Management being owners of the Assets. It is their obligation to take prompt actions for effectively managing and safeguarding their assets. Controlling ministries i.e., Cabinet Division, MoITT and MoDP also need to oversee the ongoing litigations and direct the telecom entities to vigorously pursue assets related cases for early and favourable disposal.

5. Organization's Financials

PTA is responsible for preparing and approving its annual budget and submitting it to the Federal Government for information. The budget statement depicts the estimated receipts and expenditures. Any surplus of receipts over the actual expenditure in a year is required to be remitted to the Federal Consolidated Fund (FCF). The budget of the FAB is approved by the PTA each year and funds are released accordingly. However, NTC prepares its annual budget and submits it to the Federal Government for approval. Budget grant to SCO, appearing in the Pink Book of Budget, is released by Federal Government.USF, Ignite and NRTC prepare their budget every year and get it approved from their Board of Directors. The telecom entities also prepare financial statements which are audited by the Chartered Accountants.

6. Field Audit Activity

6.1 Methodology

The audit was planned and conducted in accordance with the Government Auditing Standards based on guidelines of the International Organization of Supreme Audit Institutions (INTOSAI). The planning process mainly involved gaining a thorough understanding of the various factors that influence the efficient and effective asset management and using issue analysis to determine the scope of the audit.

The assessment was based on various audit techniques that include review of internal and external documents, financial statements of entities, interviews with senior management and staff, key stakeholders, observations and analysis of information provided by entities. Additionally, data was collected from primary and secondary sources including publicly available information, internet searches, access to published articles / reports, previous Audit Reports, Telecommunication study of Pakistan Credit Rating Agency (PACRA) and Annual Report. Lastly but importantly, on implementation of Audit Management Information System (AMIS), the detailed risk assessment of inherent and controlled risk has been carried out and incorporated in AMIS. On the basis of risk assessment, audit programs containing specific audit procedures have also been incorporated in AMIS which have been further assigned to field audit teams for development of audit observations.

6.2 Field Audit Activity

6.2.1 Review of Internal Controls

6.2.1.1 Audit observed that asset management in telecom entities was not up to the mark. Although the control for physical verification of assets existed but these controls were not fully operative. Further fixed assets registers were not properly prepared by some telecom entities. The internal audit wings exist in these entities but they were not functional as the internal audit reports were not prepared and submitted to Board of Directors and audit.

6.2.2 Critical Review

6.2.2.1 It was observed that most of the telecom entities had developed asset management policies but these were not being implemented in true letter and spirit. Despite a lapse of 26 years the management of NTC had not been able to get the transfer of vested lands in its name. One of the prime vested land of NTC located at Dera Adda Multan had been got transferred by PTCL fraudulently. Further, big chunks of lands were lying idle since long. Two dome sets established by T&T department under the mandated area of SCO at Skardu and Gilgit were also not occupied despite Court decision in favour of MoITT. Physical verification of stock and auction of unserviceable stores was not being carried out by telecom entities on regular basis. Asset Management registers were not being maintained properly. Asset depreciation mechanism was not existed in SCO. Some of the prime lands of TIP were under occupation of different departments without lease contracts. No rental income was being realized against these properties since long.

6.2.3 Significant Audit Findings

6.2.3.1 Ownership/Possession of Assets

IAS 16 Property, Plant and Equipment outlines the accounting treatment for most types of property, plant and equipment. The standards states that items of property, plant, and equipment should be recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably[14].

As per para 13.4.1.2 of Accounting Policies and Procedures Manual (APPM), the Fixed Asset Register should contain the information relating to description, classification, date of purchase or completion and ownership /responsibility of assets.

Audit observed that the NTC management failed to get ownership/ possession of 69 valuable properties amounting to Rs 3,782.860 million vested from PTCL. The title of ownership of these properties could not be transferred in the name of corporation despite lapse of a period of 26 years. Telephone Industries of Pakistan (TIP) was also unsuccessful in obtaining the title of land to its regional office in Karachi having value of Rs 259.200 million. Non-transfer of title of these properties / lands in the name of entities that the managements of both the entities were not interested in the matter. The precious resource was put to risk of illicit transfer of by the miscreants[15].

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[14][IAS 16]

[15]Item No.31, 20, 16, 17, 18& 03 of Director NTC, Islamabad, Lahore, Multan, Karachi and TIP Haripur.

6.2.3.2 Utilization of Assets

An asset is a resource owned and controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. Assets are important as they can be used to generate revenue, increase business value and help the running of business efficiently. Fixed assets are the essential resource of any business. They include Land, property, plant and equipment etc. They are used in business for long period over their useful life to generate economic resources for the business. It was observed that NTC and Telecom Foundation could not utilize their land / properties for gainful activities of earning incomes.

NTC owned 40 vested microwave stations in different areas under the administrative control of Director NTC, Multan and Lahore. Only 05 of these microwave stations could be rented out in the entire period. Land and building of 35 microwave stations could not be rented out or utilized for generating revenue from these assets. A conservative estimate of rental income, on the basis of rent per kanal of the vicinity, shows that NTC is sustaining annual loss of rental income amounting to Rs 62,526,000. Further, a covered area of NTC Regional office building measuring 13,355 Sq ft. was rented out to M/s Multinet Pakistan Pvt. Ltd. w.e.f. 01-06-2008 which was renewed from time to time on three years basis @ 10% annual compounded increase as per lease agreement. The lease agreement for the period from 01.07.2021 to 30.06.2022 was revised / renewed without incorporating annual increase @ 10% causing heavy loss to the Corporation[16].

A plot measuring 15246 sq yards was allocated on lease basis by CDA to Telecom Foundation on 20.02.1995 in H-8/4 Sector, Islamabad. The prime located land could not be utilized despite incurring huge expenditure of Rs 44,225,632. Frequency Allocation Board (FAB) did not allocate 10 C, D & E type vested quarters to the employees since long. Non-utilization of vacant quarters can result into illegal occupation[17].

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[16] Item No. 14,15,18&15 of Director NTC, Lahore, Multan and Karachi
[17] Item No. 25 of TF & Item No.11 of FAB

6.2.3.3 Auction of unserviceable Stores and Vehicles

In five entities of telecom sector viz, NTC, NRTC, TF SCO, and TIP the unserviceable stores and condemned vehicles lying idle since long were not auctioned timely. Non-auction of these unserviceable stores and condemned vehicles resulted into blockage of public money of Rs 193.016 million.[18]

6.2.3.4 Maintenance of Fixed Assets Record

It was observed that three telecom entities of telecom entities viz NTC, SCO and FAB were not maintaining fixed asset registers. Physical verification of stores was also not being carried out as required in prevailing rules. Further, record of land, buildings, vehicles, machinery & equipment and furniture & fixture was not properly maintained by SCO. Due to poor asset management, the audit assertions regarding occurrence, existence and completeness of these assets could not be verified. There was no policy mechanism in SCO to track and trace the geographically dispersed assets. Particularly, the assets of Special Communication Organization (SCO) exist in Azad Jammu & Kashmir (AJ&K) and Gilgit Baltistan (GB) which are prone to earthquakes, land sliding and heavy floods. Non-maintenance of centralized/complete records of assets by SCO could result into huge loss in the case of happening of any of such untoward events and the Management would not have any estimate of loss occurred to its assets. Non-maintenance of complete record of all the assets increases the risk of misappropriation and mis-utilization of assets[19].

6.2.3.5 Commercialization of Technical R&D Projects

In order to promote Research and Development in Information Communication Technology, Ignite National Technology Fund Company

[18]Item No. 6,15,16 of NTC Gujranwala, Lahore & Multan. Item No. 15,34 &35 of AOTR Muzaffarabad, NRTC & TIP.

[19]Item No.14,17,2 &16 of NTC Gujranwala, Lahore and Multan. Item No. 41 & 11 of SCO & FAB respectively.

has two principal funding components – Unsolicited and Solicited funding programs. The unsolicited funding program includes any project that fits within general scope of the R&D Fund objectives and in the solicited funding program, R&D Fund Board announces specific topics or themes of special interest.

According to Rule-5(2)(m) of R&D Fund Rules, 2006 the board shall maintain commercial orientation for the company and actively explore, pursue and exploit commercial opportunities arising out of the research and development projects and further Rule-8(1) ibid states that all Intellectual Property Rights in, arising out of or capable of legal recognition in respect of projects implemented by the company shall vest absolutely in the company on the basis of the projects

Ignite National Technology Fund company funded 06 R&D projects for Rs 149.507 million. However, the company did not formulate the policy for commercialization of Intellectual Property Rights (IPRs) which deprived the company of any assets arising of the registration of IPRs[20].

6.2.3.6 Capitalization of CAPEX

When a cost that is incurred will have been used, consumed or expired in a year or less, it is typically considered an expense. Conversely, if a cost or purchase will last beyond a year and will continue to have economic value in the future, then it is typically capitalized.

Ignite National Technology Fund Company funded the establishment of National Incubation Centers (NICs) in five stations at Islamabad, Lahore, Karachi, Peshawar and Quetta. The project's financial proposal consisting of two components i.e Capital Expenditure and Operating Expenditure. Ignite National Technology Fund company incurred an amount of Rs 606.576 million on CAPEX for establishment of

[20]Item No.24 of Ignite

National Incubation Centers (NICs) which was not capitalized in the financial statements. Non-Capitalization of CAPEX has resulted into understatement of assets[21].

6.2.3.7 Receivables Management

USF has the accounting policy of recognizing the financial assets at amortized cost. Financial assets whose objective is to hold in order to collect contractual cash flows and the contractual terms of financial asset give rise to cash flows that are solely principal and interest on the principal amount outstanding.

USF has been recognizing the "Other Receivables" as financial asset at amortized cost upon which the principal along with interest is to be recovered. However, USF could not recover these outstanding receivables of Rs1722.238 million from PTCL against penalty of Late Delivery (LD)/deduction of subsidy on the basis of actual BOQ and de-scoping of telecom project since long. Although these receivables were secured against performance bank guarantee but USF could not materialize the bank guarantee. PTCL has filed a law suit against USF in District court Islamabad on the plea that the delay in completion of project is covered under force majeure clause of contract. Non-recovery receivables from and non-encashment of performance bank guarantee by USF in timely manner has resulted into litigation[22].

The main source of income of PTA are Initial License/Spectrum Fee, Annual License Fee, Numbering Charges and Late payment Addition Fee (LPAF) etc. Any fee receivable from operators constitutes fee receivable which reported under current assets.

In 11 cases different operators have gone into litigation in different cases against recovery proceedings of PTA involving the amount of Rs 13,409.750 million and USD ($)75.888 million on account of Late

[21]MfDAC PDP No.283-22
[22]Note11 of AAA of USF 2021-22

Payment Additional Fee (LPAF) against DV Com Data, Telenor Pakistan, Pakistan Mobile Communication Ltd (PMCL) and CM Pak. Initial Spectrum Fee against World Call Telecom, Limited, Greatbear and DV Com Data. PTA could not recover these telecom dues from these operators timely and owing to the litigations PTA is not accounting them as assets rather PTA is reporting them as contingencies and commitments. Non-collection of huge amounts from these operators has deprived national exchequer from income/receipt[23].

8. Recommendations

Audit recommends that telecom entities shall take proactive measures for obtaining the title of ownership of vested properties to avoid any consequential loss. All the unserviceable stores, condemned vehicles and obsolete/redundant inventory items be disposed of through auction. The idle lands/buildings may be rented out to generate revenue and the litigation cases be pursued vigilantly to get them decided in favour of telecom entities. It is also recommended that asset management through enterprise software/ERP may be implemented which ensures consolidation of the geographically dispersed assets, better need assessment for asset procurement, disposal of obsolete assets, assets control, replacement, preventive maintenance, asset disposal and optimum utilization of assets.

9. Conclusion

The implementation of audit recommendations will improve the financial reporting, optimum utilization of assets for gainful activities and mitigating the risk associated with the assets. Particularly, the implementation of enterprise software/ERP for asset management will go a long way in improving financial reporting and better decision making regarding assets in telecommunication entities.

[23]Note 11 of AAA of PTA 2021-22

10. Acknowledgement

The Audit acknowledges the cooperation extended by the senior management and officials of all telecom entities who facilitated the audit teams by providing the record throughout the field audit activity.

ANNEXURES

Annexure-I

MfDAC PARAS

Sl. No.	PDP No	Subject	Amount (Rs in million)
1.	**PAKISTAN TELECOMMUNICATION AUTHORITY (PTA)**		
1	273-2023	Non-Production of record and denial of access to view portal files / soft data.	0
2	277-2023	Irregular appointment of Director General Finance.	0
3	278-2023	Non-payment of end of service benefit to Ex. Member (Finance).	0
4	279-2023	Unauthorized payment of gratuity in addition to contribution to CPF.	95.644
5	280-2023	Overstatement of PTA revenue.	77,088.864
6	284-2023	Less determination of Surplus Funds.	985.023
7	286-2023	Loss sustained by national exchequer due to un-justified retention of Government revenue.	267.846
8	287-2023	Irregular expenditure incurred against hiring of consultancy for spectrum auction.	68.923
9	288-2023	Irregular expenditure incurred against hiring of consultancy for spectrum auction.	86.994
10	289-2023	Deletion of Vouchers and Unreliable accounting software/database.	0
11	319-2023	Non-generation of internal audit report and in-effective role of internal audit department in PTA.	0
Total			**78,593.294**

Sl. No.	PDP No	Subject	Amount (Rs in million)
2.	**FREQUENCY ALLOCATION BOARD (FAB)**		
1	136-2023	Irregular promotion of officer as Director General and payment of pay &allowances.	1.088
2	137-2023	Irregular payment of gratuity.	18.938
3	263-2023	Non-recovery of rent from PTCL.	0.520
4	265-2023	Non-execution / completion of online application system.	18.900
5	266-2023	Irregular expenditure of pay & allowances due to appointment of Assistant Director (Technical) without medical.	0.505
6	268-2023	Irregular expenditure on repair & maintenance of office building.	5.933
7	270-2023	Irregular expenditure without open tenders.	0.922
8	271-2023	Irregular appointment of consultant without contract.	1.400
Total			**48.206**

Sl. No.	PDP No	Subject	Amount (Rs in million)
3.	**NATIONAL RADIO &TELECOMMUNICATION CORPORATION (PVT.) LIMITED (NRTC)**		
1	147-2023	Un-justified retention of Bank Guarantee by client despite delivery of equipments Rs- 77.797 million and unjustified payment.	78.135
2	149-2023	Loss due to non-claiming of interest payment.	5.392
3	150-2023	Loss due to deduction of penalty by PMTA.	7.469
4	154-2023	Irregular expenditure on building works – Rs 9.469 million and non-deduction of LD charges.	10.416

5	155-2023	Irregular expenditure on pay & allowances of the officers/officials.	5.512
6	156-2023	Non-receipt of Stores worth Rs 4.297 million (US$ 24,075) and non-deduction of penalty.	4.727
7	158-2023	Undue favour granted to the contractor due to amendment in purchase order - US$ 336,760 (Rs 56.609 million) and non-deduction of penalty.	56.609
8	159-2023	Irregular procurement of PVC thin Film Rolls.	1.410
9	160-2023	Non-receipt against rejected Stores.	3.475
10	162-2023	Unjustified deduction of GST by contractor.	0
11	163-2023	Un-justified payment of Earnest Money.	161.963
12	166-2023	Irregular procurement of Panasonic Multimedia Projector.	0.540
13	167-2023	Non-adjustment / recovery of temporary/TA DA advances.	25.156
Total			**360.804**

Sl. No.	PDP No	Subject	Amount (Rs in million)
4.	**Telephone Industries of Pakistan (TIP)**		
1	169-2023	Unjustified accumulation of interest charges.	1,237.000
2	174-2023	Non-claiming of advance payment.	265.965
3	176-2023	Loss due deduction of Withholding Tax at higher rates.	4.861
4	177-2023	Non-recovery of penalty from officer.	9.200
5	178-2023	Irregular expenditure on deputation allowance.	2.482
6	179-2023	Non-alteration of Memorandum & Article of Association.	0
7	180-2023	Extravagant expenditure on reimbursement	21.540

		& purchase of medicines.	
8	181-2023	Difference in two sets of figures.	187.755
9	182-2023	Non-closure of books of accounts for last two years.	0
10	184-2023	Loss due to non-claiming of rent for using TIP's Premises.	34.318
11	186-2023	Non-submission of annual report to the national exchequer.	0
12	188-2023	Payment of heavy taxes against profit on investments through unapproved Pension Fund.	11.312
13	189-2023	Wasteful expenditure on appointment of financial advisor.	1.902
14	190-2023	Non-holding of Annual General and Statutory Meetings.	0
15	192-2023	Irregular/unauthorized payment to M/s E-Square.	6.676
16	193-2023	Irregular expenditure on building works.	8.454
17	195-2023	Loss due to deduction of Withholding Tax at higher rates by NSC.	0.658
18	196-2023	Irregular composition of Board of Directors of TIP.	0
19	197-2023	Irregular expenditure on appointment of doctors.	1.944
20	199-2023	Non-compliance with the Public Sector Companies (Corporate Governance) Rules 2013.	0
Total			**1,794.067**

Sl. No.	**PDP No**	**Subject**	**Amount (Rs in million)**
5.	**ELECTRONIC CERTIFICATION ACCREDITATION COUNCIL (ECAC)**		
1	31-2023	Irregular expenditure on new appointment.	4.156

2	32-2023	Irregular expenditure on account of imprest money.	0.261
3	33-2023	Unauthorized opening and retention of funds in investment account.	1.209
4	34-2023	Non appointment of secretary of the council.	-
5	35-2023	Irregular termination of services of Registrar ECAC.	-
Total			**5.626**

Sl. No.	PDP No	Subject	Amount (Rs in million)
6.	**IGNITE NATIONAL TECHNOLOGY FUND COMPANY**		
1	216-2023	Unjustified release of budgetary allocations.	1,240.000
2	220-2023	Unjustified composition of Board of Directors.	0.000
3	221-2023	Unjustified payment of Pay & Allowances from company fund.	4.894
4	222-2023	Irregular expenditure incurred on Cloud Services, Web Hosting, Website Maintenance & Internet facilities.	2.838
5	223-2023	Unjustified expenditure incurred on purchase of Air Conditioners.	2.121
6	224-2023	Irregular expenditure incurred on courier services.	0.335
7	225-2023	Unjustified payment of additional allowance.	0.877
8	226-2023	Unjustified delay of annual budget for the year 2021-22.	2,208.120
9	228-2023	Unauthorized payment of time barred arrears claim of remuneration.	0.328
10	230-2023	Unjustified expenditure incurred on janitorial services.	1.922
11	231-2023	In-effective role of internal audit department.	0

12	232-2023	Improper utilization of budgetary allocations.	702.290
13	233-2023	Unjustified appointment of General Manager (Projects).	1.600
14	234-2023	Unjustified increase in cost of NIC Faisalabad project due to negligence.	1.923
15	235-2023	Non-formulation of Intellectual Property Rights Policy.	149.507
16	236-2023	Unjustified Expenditure incurred under heads advertisement & guest speaker.	2.249
17	237-2023	Unjustified expenditure incurred on legal and professional charges.	0.945
Total			**4,319.949**

Sl. No.	**PDP No**	**Subject**	**Amount (Rs in million)**
7.	**NATIONAL TELECOMMUNICATION CORPORATION (NTC)**		
1.	01-2023	Irregular expenditure on repair & maintenance work of residential quarters.	1.415
2.	02-2023	Non-preparation of Final Capital Cost bill & overstatement of revenue.	4.988
3.	03-2023	Non-receipt of paid withholding tax challans from lessee.	4.402
4.	04-2023	Short recovery of security advance from tenant.	1.933
5.	05-2023	Execution of work by deviating pre-deposit work policy.	1.438
6.	06-2023	Non-Delayed deduction of amount from the Contractor.	2.556
7.	07-2023	Non-Surrender of Funds.	1.876
8.	08-2023	Non-Recovery of standard rent from unauthorized occupants.	1.722
9.	09-2023	Irregular expenditure on hiring of Media from M/S Wateen for NTC Telecom Sites.	4.582

10.	10-2023	Non-execution of any new Telecommunication Development Project.	0.000
11.	11-2023	Irregular award of contract against Pre-deposit work.	6.000
12.	12-2023	Non-transfer of PST to Government of Punjab.	2.421
13.	13-2023	Irregular deduction of withholding tax.	2.099
14.	14-2023	Irregular transfer of expenditure.	15.489
15.	17-2023	Irregular expenditure incurred on courier services.	0.289
16.	19-2023	Loss due to non-recovery of rent from PTCL.	2.932
17.	20-2023	Irregular expenditure incurred on repair & maintenance of office building.	1.909
18.	21-2023	Overstatement of assets due to non-receipt of air conditioners.	1.120
19.	22-2023	Irregular expenditure incurred on removing the line & wire faults.	6.927
20.	23-2023	Irregular expenditure on repair & maintenance of civil works.	1.537
21.	24-2023	Irregular expenditure on bill distribution charges.	0.380
22.	25-2023	Mis-procurement of stationery items of Rs 0.596 million and payments to suppliers without deduction of withholding and GST.	0.715
23.	26-2023	Un-justified deduction of WHT on share of electricity charges by tenant.	7.103
24.	105-2023	Irregular execution of work agreements with contractors and recoverable amount on account of Stamp duty.	0.788
25.	106-2023	Recoverable Sindh Sale Tax for the contractors on provision of telecommunication services.	5.516
26.	107-2023	Unauthorized sanction of P-Deposit work.	24.751

27.	108-2023	Unauthorized expenditure of Rs 4.046 million against estimate No 742-D(a) for provisioning laying testing & commissioning of video conferencing system at various sites of Sindh.	4.046
28.	109-2023	Outstanding committed liabilities of Rs 83.0 million and non-release of Completion Report (PC-IV) of ADP works.	83.001
29.	110-2023	Improper planning of procurement of Stores and non-maintenance of Fixed Assets Register.	3.094
30.	111-2023	Non-transfer of SST to Govt. of Sindh.	11.284
31.	112-2023	Short deduction of Income Tax from employees receiving self hiring amount.	0.175
32.	113-2023	Irregular deduction of withholding tax.	2.505
33.	114-2023	Irregular deduction of General Sales Tax.	10.736
34.	115-2023	Non-recovery of Liquidated Damages from the contractor.	0.833
35.	117-2023	Irregular utilization of services of accountant in development division south Karachi.	0.000
36.	119-2023	Non-compliance of contract agreement with M/s TCS & Payment thereon.	0.831
37.	120-2023	Poor performance in execution of contract & non-recovery of Telephone Bills from customer on timely manner.	6.906
38.	122-2023	Short realization of amount against pre-deposit works.	0.231
39.	123-2023	Irregular purchase of Telephone/CLI Sets	1.248
40.	124-2023	Irregular renting out NTC building without Tender.	16.429
41.	125-2023	Loss due to award of contract to 2nd lowest bidder.	0.342
42.	126-2023	Unjustified release of retention money.	6.000

43.	127-2023	Irregular purchase of PRI copper Modem.	0.637
44.	128-2023	Un-justified deduction of WHT on late payment charges.	4.602
45.	201-2023	Non-provision of RoW permission by the contractor.	0.609
46.	202-2023	Unjustified change in scope of work in revised PC-I.	54.656
47.	203-2023	Unjustified excess Committed expenditure than PC-I.	2.806
48.	204-2023	Irregular execution of additional work without approval.	0.888
49.	205-2023	Non-recovery of LD charges.	0.498
50.	207-2023	Unjustified creation of liability.	0.715
51.	208-2023	Unjustified release Liquidity Damage charges.	2.350
52.	209-2023	Ill planning and anticipated Loss of revenue.	17.227
53.	210-2023	Anticipated Loss of revenue due to non-achievement of planned objectives.	59.649
54.	211-2023	Unjustified increase in the cost of turnkey project without approval.	0.624
55.	212-2023	Improper utilization of resources due to non-execution of new Development Project	0.000
56.	213-2023	Non-execution/completion of contract and expected deduction of LD charges.	4.732
57.	240-2023	Non-recovery of penalty due to abnormal delay in completion of the project.	64.785
58.	242-2023	Inordinate delay in completion of the project & non-imposition of LD.	17.728
59.	244-2023	Un-authorized investment of NTC own funds.	0.000
60.	245-2023	Non-closure of accounts from commercial banks and transfer of balances to FCF.	3884.374
61.	247-2023	Un-authorized deputation in NTC and payment.	0.496

62.	248-2023	Irregular expenditure incurred over and above sanctioned strength.	0.599
63.	251-2023	Irregular / unjustified expenditure against monthly billing process.	18.818
64.	252-2023	Non-approval of NTC tariff of licensed services from Federal Government.	0.000
65.	253-2023	Non-recovery of LD charges.	0.508
66.	255-2023	Non-recovery of quarter rent.	1.166
67.	256-2023	Irregular expenditure due to non-observances of recruitment quota.	0.604
68.	257-2023	Irregular expenditure on account of services of Media Manager.	1.150
Total			**4,392.77**

Sl. No.	**DP No**	**Subject**	**Amount (Rs in million)**
8.	**SPECIAL COMMUNICATIONS ORGANIZATION (SCO)**		
1.	38-2023	Unauthorized payment of M/s ZTE.	582.025
2.	39-2023	Unauthorized payment to M/s Celmore and Highrise.	119.861
3.	40-2023	Unauthorized/Inadmissible payment to contractors.	60.000
4.	45-2023	Unauthorized double payment of pole accessories.	41.901
5.	46-2023	Illegal sanction of escalation charges.	852.000
6.	51-2023	Unauthorized re-appropriation of funds	408.286
7.	52-2023	Non observance of instructions of Planning Commission and less surrender of amount of 40% cut on development budget.	370.630

8.	54-2023	Unauthorized payment to contractor on procurement of poles and drop cable Rs 303.913 million and excess purchase of quantity of drop cable.	341.195
9.	57-2023	Double payment on account of procurement of generators.	22.675
10.	61-2023	Illegal appointment of consultants.	46.165
11.	62-2023	Illegal expenditure on appointment of project staff.	37.472
12.	64-2023	Unauthorized / unjustified payment of transportation charges.	48.665
13.	66-2023	Non-closing of bank account having closing balance.	5.330
14.	68-2023	Non-surrender of anticipated savings.	805.619
15.	70-2023	Non-achievement of revenue target.	4,380.960
16.	71-2023	Non-deduction of amount of special discount.	3.701
17.	99-2023	Misclassified expenditure due to wrong booking on account of building works.	1.814
18.	100-2023	Irregular/unjustified transfer of Punjab Services Tax on services.	0.251
19.	102-2023	Non-extension of lease period for Microwave Tower Land at Sahr Bangla Forest Ranges Bhurban Murree.	58.138
20.	104-2023	Non-recovery of rent of shop.	1.260
21.	129-2023	Improper utilization of resources without full potential due to ill planning.	279.060
22.	130-2023	Non-deduction of educational cess on income / withholding tax.	1.451
23.	131-2023	Short realization of revenue on account of sale of SCOM scratch cards.	108.629

24.	132-2023	Irregular payment of income tax on electricity bills.	7.487
25.	133-2023	Short realization of revenue on account of sale of SCOM scratch sims.	9.217
26.	134-2023	Unauthorized payment through cash instead of cheques.	2.922
27.	314-2023	Non-surrender of Revenue to FCF.	4.137
28.	315-2023	Non-recovery of outstanding dues.	0.698
29.	316-2023	Non-deduction of Income Tax on payment of Commission /Rebate to Franchise.	4.464
30.	317-2023	Variation between two sets of figures on account of sale of s-card and S-load.	82.169
Total			**8,688.182**

Sl. No.	DP No	Subject	Amount (Rs in million)
8.A	**PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF CROSS BORDER OPTICAL FIBRE CABLE SYSTEM BETWEEN CHINA AND PAKISTAN (SCO)**		
1.	4.1.2	Non-achievement of anticipated Revenue targets.	2,546.338
2.	4.1.5	Irregular expenditure on pay and allowance of project staff engaged in other SCO Units.	1.0780
3.	4.2.1	Delayed transferred of revenue to FCF.	1,840.726
4.	4.2.4	Non-reporting of contract agreements to NAB.	4,009.520

5.	4.2.5	Non-deduction of Punjab Sales Tax.	3.794
6.	4.2.6	Unjustified escalation of estimated cost of approved PC-I -Rs 664.415 million.	664.415
7.	4.2.7	Non-of preparation of feasibility report / PC-II.	0
8.	4.2.8	Non-approval of PC-IV and non-submission of PC-V.	0
9.	4.3.2	Non-inclusion of insurance clause in the contract.	4,340.600
10.	4.3.4	Unauthorized purchase of non-BOQ items.	23.300
11.	4.3.5	Overpayment made against consultancy contract.	3.000
12.	4.3.6	Unjustified execution of contract with M/s CMI.	1,840.726
13.	4.5.2	Under utilization of foreign loan component of the project.	394.948
14.	4.5.5	Un-justified increase in loan liability.	582.675
15.	4.5.6	Non-accountal of foreign payment.	323.869
Total			**16,574.989**

Sl. No.	**DP No**	**Subject**	**Amount (Rs in million)**
8.B	**PERFORMANCE AUDIT REPORT ON EXPANSION AND UP-GRADATION OF NGMS (3G/4G) SERVICES AND SEAMLESS COVERAGE ALONG KKH IN GB (SCO)**		
1.	4.1.2	Excess expenditure incurred on pay of project of staff due to delay in completion of project.	19.153

2.	4.1.4	Unjustified payment of salary to Project Manager.	5.962
3.	4.1.5	Non-conduction of Factory acceptance Inspection and Technology orientation visit to China.	0
4.	4.2.1	Non-preparation of feasibility report resulted in poor estimation of PC-I.	0
5.	4.2.2	Non-approval of PC-IV.	0
6.	4.2.3	Non-segregation of revenue after execution of NGMS project.	4,675.52
7.	4.3.2	Non-obtaining Insurance Coverage from NICL.	84.500
8.	4.3.3	Non-implementation of contractual obligations.	0
9.	4.3.4	Un-authorized procurement of diesel generators.	35.200
10.	4.4.2	Irregular payment for Commercial Electricity Connections.	6.105
11.	4.4.3	Doubtful expenditure for procurement of land.	2.100
12.	4.5.1	Non-maintenance of Fixed Asset Register and non-conducting of physical asset verification.	0
13.	4.6.1	Non-preparation of monitoring report of the NGMS project.	0
14.	4.6.2	Non-reporting of contract agreements to NAB.	2,899.641

15.	4.6.3	Non-conducting of data base audit by M/s ZTE for installed equipment.	0
Total			**7,728.181**

Sl. No.	PDP No	Subject	Amount (Rs in million)
9.	**TELECOM FOUNDATION (TF)**		
1	297-2023	Operational loss to Telecom Foundation.	250.692
2	299-2023	Defective Accounting Software.	0
3	300-2023	Unauthorized appointment of External Auditors.	0
4	301-2023	Loss due to non-encashment of bank guarantee.	2.800
5	302-2023	Loss due to granting of advance.	4.000
6	303-2023	Awarding of contract in non-transparent manner.	17.803
7	305-2023	Unjustified refund of withholding to the tenant.	1.879
8	308-2023	Loss due to less charging of utilities to tenants.	20.691
9	309-2023	Non-recovery of rent against TF Cafeteria.	1.200
Total			**299.065**

Sl. No.	PDP No	Subject	Amount (Rs in million)
10.	**UNIVERSAL SERVICE FUND (USF)**		
1	74-2023	Illegal payment of general sales tax on services to PTCL	47.506

2	75-2023	Non-recovery of less/excess utilization of Optical Fiber Cable (OFC).	230.063
3	76-2023	Irregular payment of subsidy and non-recovery due to change in Bill of Quantity.	433.497
4	77-2023	Unauthorized payment over and above the bill of quantity.	31.558
5	79-2023	Less recovery on account of de-scoping work of FATA Package-2 from M/s PTCL.	24.735
6	82-2023	Unlawful award of contracts to service providers.	3,776.747
7	83-2023	Non-deduction of income tax/provincial sales tax on services.	4467.339
8	88-2023	Unjustified payment on account of National Roaming charges to M/s PTML.	232.00
9	89-2023	Overpayment due to non-recovery of excess utilized length of OFC.	18.225
10	90-2023	Overpayment on account of excessive quantity and rates paid to M/s PTCL.	14.478
11	91-2023	Overpayment on account of excessive quantity and rates paid to M/s PTCL.	12.280
12	93-2023	Unauthorized payment due to non-construction of new BTS site.	2.951
13	94-2023	Unauthorized payment due to non-installation of air conditioners at sites.	1.575

14	95-2023	Irregular payment to technical auditor.	4.359
15	96-2023	Illegal payment of monetization allowance.	12.960
Total			**9,310.273**

Annexure: II
(Audit Para No 8.5.2)

Irregular award of Procurement contracts

Sl. No.	O.M No.	Project	Name of contractor	Amount (Rs)
i	33	Protection and upgradation of Pak-China OFC project for establishment of cross border connectivity (Dassu-Danyore-Alignment)	M/s Huawei Technology	440,000,000
ii	37	Establishment of SCO data centre for providing cloud based services in AJ&K and GB	M/s Whale Cloud Technology	367,000,000
iii	38	Establishment of SCO data centre for providing cloud based services in AJ&K and GB	M/s Premier System Ltd.	397,000,000
iv	4.3.1 PAR	Unjustified award of work	M/s ZTE	1690,000,000
v	4.3.1 PAR	Irregular award of contract to M/s Huawei due to unlawful negotiation	M/s Huawei Technologies	1,421,941,000
Total				**4,315,941,000**

Annexure: III
(Audit Para No 8.6.3)

Irregular expenditure due to change in scope of projects

Sl. No.	PDP No.	Title of project	Description	Amount (Rs)
1	36-23	Hybrid Power Solution at AJK & GB	Out of 200 approved sites in PC-1, 86 sites were de-scoped and in place thereof 84 new sites were included	523,289,799
2	37-23	-do-	Out of 200 generator sets approved in PC-1, 116 generator sets were de-scoped. Further, cost of engineering survey was not included in the PC-I.	667,278,883
3	42-23	Up-gradation of transmission network and deployment of fibre cable in AJK & GB	Seven sections approved in PC-1 for lying of optical fibre cable were de-scoped.	908,177,000
4	47-23	Expansion of broadband services in cities/towns of AJK & GB	10 sites were de-scoped and in place thereof 14 new sites were included	405,283,142
5	59-23	Protection & up-gradation of Pak. China OFC	03 new sites were included	288,211,222
6	60-23	Up-gradation of transmission network and deployment of OFC in AJK & GB	Works were executed over and above the approved scope of PC-I	247,835,121
7	63-23	Protection & up-gradation of Pak. China OFC	Some works were executed beyond the scope	93,596,016
			Total	**3,133,671,183**

Annexure: IV
(Audit Para No 8.6.9)

Irregular payment on account of custom duty

Sl. No.	Name of project	Name of contractor	Amount (Rs)
i	Hybrid power solution (solarisation) for remote sites in GB	M/s ZTE Pakistan (Pvt.) Ltd.	23,053,394
ii	Upgradation and expansion of existing TDM based backhaul microwave with IP based backhaul microwave network in GB	M/s NERA Telecommunication (Pvt.) Ltd.	16,079,330
iii	Protection and upgradation of Pak-China OFC project for establishment of cross border connectivity (Dassu-Danyore Alignment)	M/s Amanullah Khan & Co.	8,732,350
iv	Protection and up-gradation of Pak-China OFC project for establishment of cross border connectivity	-- do --	46,113,399
Total			**93,978,473**