PERFORMANCE AUDIT REPORT
ON
UNIVERSAL SERVICE FUND
MANAGEMENT AND UTILIZATION

AUDIT YEAR 2016-17

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

BOQ	:	Bill of Quantity
BTS	:	Base Transmission Station
CDMA	:	Code division multiple access
CEO	:	Chief Executive Officer
CBC	:	Community Broadband Center
CTR	:	Central Telecom Region
CGA	:	Controller General of Accounts
DT log	:	Drive Test log
ECNEC	:	Executive Committee of National Economic Council
EIA	:	Environmental Impact Assessment
EBC	:	Educational Broadband Center
FTR	:	Faisalabad Telecom Region
GM	:	General Manager
GoP	:	Government of Pakistan
GSM	:	Global System for Mobiles
GSMA	:	GSM Association
HR	:	Human Resources
HRGC	:	Human Resource Governance Committee
HTR	:	Hazara Telecom Region
IFRS	:	International Financial Reporting Standards
ITU	:	International Telecommunication Union
ISF	:	Initial Spectrum Fee
KPI	:	Key Performance Indicators
Lot	:	Geographical area
MoIT	:	Ministry of Information Technology
MoF	:	Ministry of Finance
MTR	:	Multan Telecom Region
NGO	:	Non Governmental Organization
NTR	:	Northern Telecom Region
PCO	:	Public Call Office
PMCL	:	Pakistan Mobile Communication Limited

PT&T	:	Post Telegraph and Telephone
PTA	:	Pakistan Telecommunication Authority
PTCL	:	Pakistan Telecommunication Company Limited
RFP	:	Request for Proposal
RTE's	:	Rural Telecom and E-Services
RTR	:	Rawalpindi Telecom Region
SSA	:	Service and Subsidy Agreement
SP	:	Service Provider
TA	:	Technical Auditor
TOR	:	Terms of Reference
UMTS	:	Universal Mobile Telecommunications System
USF	:	Universal Service Fund
USFCGL	:	Universal Service Fund Company Guarantee Limited

PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of receipts and expenditure out of the Federal Consolidated Fund and Public Account.

Directorate General PT&T audit conducted Performance Audit of Universal Service Fund and USF Company during the month of March/April 2016. Audit examined the economy, efficiency, and effectiveness aspects in utilization of fund and execution of the projects. In addition, Audit also assessed, whether the management complied with applicable laws, rules, and regulations in managing the programme. Report indicates specific actions that, if taken, will help the management in future in economic and effective utilization of resources, planning, execution and monitoring of projects.

The report has been finalized in the light of discussion and the directives issued during the DAC meeting held on 8th& 9th September, 2016.

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

Dated: 7th April, 2017

Rana Assad Amin
Auditor-General of Pakistan

EXECUTIVE SUMMARY

Universal Service Fund (USF) was established in 2006 under Pakistan Telecommunication Re-organization Act 2006. Federal Government established USF Company under Section 42 of the Companies Ordinance 1984. Universal Service Fund is a Company with an independent Board of Directors equally balanced between four members from the Government and four members from the private sector. The CEO is the 9thmember of the Board of Directors.

Fund is collected as a levy at the rate of 1.5% on annual gross revenues of all operators. All licensed operators which contribute to USF are eligible to apply for USF Contracts including Special Projects. The fund is aimed at providing country wide universal access to telecommunication services, basic telephony, broadband, fiber optic network in unserved and underserved areas.

The Directorate General Audit (PT&T) conducted performance audit of Universal Service Fund and USF Company in March/ April 2016. Audit analysed that so far more than 207 billion rupees had been booked in the books of accounts as on June, 2015 but only around 100 billion were actually collected. Hardly 25% of the collected funds were spent so far which showed weak performance of the USF Company. The Initial Spectrum Fee charges of Rs 57 billion were not realized but booked by the Fund in its books. There was a major issue of non-reconciliation of funds with PTA. Audited financial statements of the Fund were not being submitted to the National Assembly as per statutory requirement.

The management failed to handle tax matters as Federal Board of Revenue (FBR) deducted Rs 12 billion (approximately) and Rs 5 billion were still pending as tax liability whereas Fund was not taxable.

Project planning and design were also the grey areas as projects were being planned in an unscientific way. No financial or economic analysis was being carried out to measure the cost and reserves price of the projects. Due to non-calculation of reserve price, the management auctioned projects at uneconomical rates. Audit has benchmarked the USF projects with the similar projects executed by Special Communications Organization (SCO) and found USF projects were at higher side with a difference of billion of rupees.

Project monitoring was the weakest area of the Company as only three or four projects were closed or completed so far. None of the projects were completed in the given time period since the creation of the company. Hence, efficiency and effectiveness aspects of projects were compromised.

During physical verification of the project sites, audit found that the service providers installed pirated software at the community and educational broadband centres. A number of community broadband centres were installed inside the PTCL exchanges and few of them were not traceable at the given addresses. Service providers were not providing the hardware and services as per Bill of Quantity (BOQ) of the Contracts. Technical auditors (TA) have not reported these issues to the management.

Technical auditors working with the USF have raised allegations of corruption against USF staff. The company needs to rationalise its human resources and strictly monitor its staff for ensuring that they do not indulge in any kind of malpractices.

Recommendations

A clear definition of financial and accounting rules for financial and economic analysis is needed in order to ensure that USF fund is put to the use for which it was intended and to achieve desired levels of economy, efficiency and effectiveness. Planning and monitoring mechanism must be strengthened to ensure that service providers provide the services as per contracts agreement and the fund is utilized in the most economic and effective manner.

Fund position may be got reconciled with PTA periodically to ensure the collection of funds as per law. The financial statements must be audited by the chartered accountants and submitted to the National Assembly as required under the Act.

1. INTRODUCTION

The underlying concept of Universal Service is to ensure that telecommunication services are accessible to the widest number of people (and communities) at affordable prices. The concept of universal service is underpinned by the three following principles:

- **Availability**: the level of service is the same for all users in their place of work or residence, at all times and without geographical discrimination.
- **Affordability**: for all users, the price of the service should not be a factor that limits service access.
- **Accessibility**: all telephone subscribers should be treated in a non-discriminatory manner with respect to the price, service and quality of the service, in all places, without distinction of race, sex, religion, etc.

USF was established by the Federal Government (MOIT) under the provisions of section 33 (A) of Pakistan Telecommunication (Re-organization) amended Act, 2006. It aims at the development of telecommunication services in unserved and underserved areas throughout the country. The fund consists of contributions (1.5% of adjusted gross revenues) by the Telecom Operators with no Government funding involved.

To utilize this fund for achievement of the targets, it was decided to follow a Corporate Model. This led to establishment of Universal Service Fund (USF) Company under Section 42 of the Companies Ordinance 1984. Ministry of Information Technology created USF Company vide SRO No. 1132(1)/2006 dated 01.11.2006. Universal Service Fund (USF) has an independent Board of Directors. The main objectives of Universal Service Fund (USF) are:

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

The Director General of Audit PT&T conducted Performance Audit of Universal Service Fund and USF Company in March/April 2016. The focus of the audit was to ascertain that whether fund was being utilized in an economical, cost effective, productive and efficient way. Secondly, whether the objectives defined in the Act, USF rules and USF Policy issued by the Federal Government and the targets set for the company were achieved or not.

2. AUDIT OBJECTIVES

The major objectives of the Performance Audit were:

a) To ascertain whether the economy, efficiency and effectiveness was ensured in utilization of Fund and to check the process of award of contracts, subsidies, hiring of consultants, technical auditors, etc.
b) To ascertain the extent to which the Fund had been effective in carrying out the overall policy and vision as regards the targets set in the programme.
c) To check whether the fund administration had established clear and understandable criteria for evaluating project proposals and monitoring system.
d) To ensure that USF funds were put to the use for which they were intended, and to achieve desired levels of oversight and governance.
e) To ensure that USF policies and objectives incorporated the need for digital inclusion.

3. AUDIT SCOPE AND METHODOLOGY

The scope of work in this report had been based on the following considerations:

- The need for an updated overview of the status of the Fund and performance of USF Company
- Observations regarding areas of potential interest that had not been addressed in the more recent audits
- The need for an assessment regarding planning, execution and completion of the projects

To carry out this Performance Audit, data was collected from different sources including publicly available information, internet searches, entry into PTA and USF web sites and databases, access to published articles and reports, and information currently collected by international organizations such as ITU and GSMA. Audit team also corresponded, conducted interviews and held meeting with USF management, PTA chairman and fund administrators where possible.

The information gathered was verified and confirmed by checking it against multiple sources and further interviews/exchanges of correspondence as needed. One of the principal challenge in gathering the required information was the absence of reliable Fund data available at one point. Receivables were collected by PTA and transferred to the Fund, whereas, the expenditure was made by the company i.e. a separate legal entity.

Field work was completed in April 2016. The audit party also physically inspected the project sites with the engineers of the USF Company to ascertain actual condition of the assets and equipment provided by the company. Additional documents consulted during the audit include:

a) Audited financial statements and annual reports
b) Agenda and minutes of Board Meetings
c) Tender advertisement, Request for Application (RFA), Service and Subsidy Agreement (SSA) and technical and financial evaluation reports
d) Technical Auditors contracts and technical auditor’s reports
e) Project files, monitoring files, court cases and international studies.

AUDIT FINDINGS & RECOMMENDATIONS

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Human Resource Management

Human Resource Management in any organization plays a vital role for success of the organization. The HR Management of USF Company was the weakest area as the Company did not revise its HR, Financial and Accounting manuals despite the major changes introduced by the Federal Government through SROs regarding recruitment. USF Rules have also amended by the Federal Government and SECP issued the guidelines for selection of CEO. The recruitment should only be carried out in accordance with the basis of operational needs and approved manpower plan but the USF Company had increased its manpower 150% more than the approved manpower. On the other hand the funds were not utilized for operational activities which showed inefficiency and non-achievement of the predetermined objectives.

The management failed to engage impartial Technical Auditors for seeking of fair opinion for the USF Company. Even the non-impartial Technical Auditors raised corruption allegations against USF officials. The spirit of Corporate Governance Rules was also not observed as the Directors had not vacated their offices and hold the same positions for more than three years. This all showed ineffective Human Resource Management in the organization.

4.1.1 **Non-approval and Review of HR and Finance Manual**

According to Rule 15 (f) USF Rules 2006 the USF Board has the powers to prepare and approve procedural manual for effective working of the USF Company.

Audit observed that the management had not revised the HR manual and ‘Financial and Accounting manual’ in pursuance of new amendments in USF Rules, new legislation made by different authorities and Board decisions. For example SECP had issued the guidelines for the selection of the CEO and these guidelines were not made part of the HR Manual. There were certain SROs issued by the Federal Government (Establishment Division) regarding recruitment and selection, quota system etc. but these were not made part of the HR manual. Similarly, Financial and Accounting Manual state open outcry bidding system while same was not set in practice.

Audit pointed this out to the management in May 2016. It was replied that the revision of these manuals was already in process. The reply was not acceptable as instructions issued by Federal Government regarding HR matters were not included in USF HR Manual.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF management to carry out review of manuals up till December, 2016 and compliance thereof be intimated to audit.

Audit recommends that manuals must be revised and got approved from the competent forum as early as possible.

4.1.2 Unnecessary and irregular expansion of Manpower

Section 2.4.2 of USFCo HR manual states that the manpower plan for the financial year, once approved by the HRG committee, is regarded as official. No change is permitted unless major developments or functional requirements emerge. Section 2.6.2.4. ibid states that Promotions shall only be made on the positions approved in the Manpower plan.

Audit observed that the management was not adhering to the basic philosophy of the HR manual which states that in order to optimize human resources utilization and to maintain cost effectiveness, stringent manpower control should be exercised”. Recruitment should only be carried out in accordance with the basis of operational needs and maximum approved manpower plan. A brief comparison of manpower plan of 2007 and 2012 is given below:

The management was unnecessarily expanding its manpower vertically and horizontally just to promote and accommodate its employees. A new tier of senior managers was introduced in 2012 to promote the employees. Initially USF Board approved only three positions of senior managers which had now risen to six (one vacant) and management had irregularly promoted two senior managers in violation of approved strength. Moreover, in regular Government Departments one officer performs the tasks related to admin and HR and one officer is meant for finance, accounts and audit. The USF management had recruited Managers Admin, Coordination, HR, Accounts, Audit, Disbursements, Communications and Complaint & Enforcement etc. Despite this, ordinary tasks such as filing of income tax statements, submission compliance reports to SECP, legal consultancy and project consultancy was being outsourced.

Audit pointed this out to the management in May 2016. It was replied that the USF administrative structure was duly approved by USF Board of Directors in the 3rd Board Meeting and was implemented since 2007 to 2013. After 2013 all appointments were being made according to revised USFCompany HR Manual duly approved by Human Resource Governance Committee and Board of Directors in 30thUSF Company Board meeting. Reply was not acceptable as the workforce should be rationalized and Manpower Plan be revised by Human Resource & Governance Committee.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF Company that present position of staff may be reviewed through HRGC and justification of all the incumbent of the posts along with the approval of the Manpower plan from the Board may be provided to audit.

Audit recommends to review and rationalizing the manpower plan.

4.1.3 Unlawful Continuation of Directors after completion of Term

Section 177 of Companies ordinance states that on the date of the first annual general meeting of a company all directors of the company for the time being who are subject to election shall stand retired from office and thereafter all such Directors shall retire on the expiry of the term laid down in section 180. While Section 180 states that Director elected under section 178 shall hold office for a period of three years unless he earlier resigns, becomes disqualified from being a director or otherwise ceases to hold office. Further, as per the Article 30 of Articles of Association of the Company, the term of a Director is three years.

Audit observed that in contravention to the articles and rules & regulations quoted above, the Directors had not vacated their office and had occupied the office for more than three years. Moreover, there was no structured mechanism for the election of the directors as given in Companies Ordinance. Detail is given below.

Name	Representative	Tenure
Mr. Azfar Manzoor, CEO, Linkdot Net	Nominee of Broadband Industry	03-11-2006 to till date
Mr. Kaukb Iqbal, President, Consumer Association of Pakistan	Nominee of Consumer Group	12-01-2010 to till date
Mr Walid Irshad, CEO, PTCL	Nominee of Fixed Line Industry	12-01-2010 to 02-03-2016

Audit pointed this out to the management in May 2016 but no reply was received from USF management.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF management to take up the matter with MoIT for reconstitution of BoD at the earliest.

Audit recommends framing a transparent mechanism for creation/selection of the licensees and USF Rules & Articles be amended accordingly.

4.1.4 Non-conducting of forensic audit of telecom infrastructure projects

Ministry of Information Technology vide its letter F.No.1-1/2012-(D.S-A) dated 09.05.2012 directed CEO USF Company to conduct forensic audit of telecom infrastructure projects.

Audit observed that a committee was also constituted for the said purpose. But contrary to this, no forensic audit was conducted. Audit requires to provide the reasons for non-conducting the forensic audit.

Audit pointed this out to the management in May 2016. It was replied that conducting the forensic audit of the telecom infrastructure projects was the responsibility of the Ministry of IT & Telecom. The reply was not acceptable as no reasons were provided for non-conducting the forensic audit and no reminder was sent to MOIT.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF Company to take up the matter with MOIT for reconstitution of audit committee in order to conduct forensic audit of the telecom infrastructure projects.

Audit recommends that Forensic Audit must be carried out by a team of telecom professionals to make things transparent.

4.1.5 Allegations of Corruption against USF officials by Technical Auditors

As per section 10.2.1 of USF HR Manual Reasons for dismissal includes serious misconduct. Dismissal is clearly a very serious action and it is not easy to generalize about the sort of situation which would justify it being taken. Any attempt to commit fraud against USF is considered a serious misconduct.

Audit observed that technical auditors had raised allegations of corruption against USF officers. In the first case the Optiwave (Technical auditor) alleged that the Mr RizwanYounis, Manager Project implementation has been indulging in malpractices. It was stated by the Optiwave that milestone achievement in GTR project was declared on the fake data. Resultantly, MOIT sent Mr Rizwan and CTO on compulsory leave and ordered a forensic audit. In the second case, Technology At work (Technical Auditors) complained to the CEO of USF that Mr. Mansoor Khan, Manager Monitoring & Implementation, approached their Director Operations and asked for his share at the rate of 20% from dues/payments being cleared by USF. The inquiry committee investigated the issue and there was undeniable evidence that the both parties were talking about some "arrangements". Head of the committee recommended that appropriate disciplinary action may be taken against Mr. Mansoor as per prevalent policy of the company and the relationship between M/S Tech @ Work and USFCompany may be reviewed as far as ongoing and future projects/contacts between the two parties were concerned. But Tech @Work was still working as Technical Auditor and no disciplinary action was taken against Mr Mansoor.

Audit pointed this out to the management in May 2016. It was replied that observation raised regarding HTR and RTR Projects was based on the 4th Project Implementation Milestone, for which Technical Audit reports were yet to be submitted. The acceptance or rejection of Project implementation Milestone was based on the Technical Auditor's report and recommendations. The reply was not acceptable being irrelevant and out of context.

DAC in its meeting held on 8th and 9th September, 2016 directed that the similar committee that would be constituted for forensic audit will examine the issue and outcome be conveyed to Audit.

Audit recommends that the committee should examine the issue and provide report to Audit within three months.

4.1.6 Unlawful award of Contract to Technical Auditors -Rs 87.999 million

As per section 5.3.3 chapter 13, Part III of USF Financial and Accounting Manual, the Company will administer periodic requests for written expressions of interest from independent consultants qualified and interested in performing continuous monitoring of Universal Service on an agency basis. Such calls will be announced on the Company website, national press and appropriate professional journals. Applicants must have no financial or professional connection with any party presently contracted to provide Universal Service in Pakistan.

In violation of the above, the management awarded contracts to the Technical Auditors having professional connections with the USF service Providers. Therefore, conflict of interest arises & technical auditors could not be fair in their judgment. Audit is of the view that the management had paid an amount of Rs 87,999,096 to the Technical Auditors irregularly as detailed below:

Sl No	Name of Technical Auditor	Name of Clients	Amount Paid (Rs)
1	Technology At Work	Mobilink Pakistan, World Call Telecom, Wateen Telecom &Warid Telecom	24,679,806
2	People logic	Mobilink Pakistan, PTCL, Telenor, Zong	1,245,408
3	Myson Engineering System	Mobilink Pakistan, PTCL, Telenor, Ufone	13,100,000
4	Tel – *e*- com	Ufone, PTCL, Warid, Telenor, Zong	29,944,400
5	Emerging Systems	PTCL	8,220,484
6	Makkays	PTCL, Telenor, Ufone, Warid, Zong	2,207,010
7	Shaukat Hayat Javed	PTCL	8,601,988
Total			**87,999,096**

Audit pointed this out to the management in May 2016. The management replied that it always safeguards the interest of the company while procuring the services of technical auditors for any specific project and to avoid conflict of interest the following steps had always been taken before awarding the contract to a Technical Auditors for USF Project:

1. Technical Auditor must not be involved in any sort of activities with the SP of the same project ‘Whom he is going to be awarded.
2. TA should not be a consultant with USFCo of the same project.
3. TA employees directly or in directly earlier did not involve in any way to the same project.

The reply was not acceptable as the technical auditors mentioned above had professional connections with the service providers of USF.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF Company to re-define the criteria/qualification for appointment of technical auditors in order to clear the ambiguity and get it verified from audit.

Audit recommends that rule may be redefined to ensure clarity and safeguard the interest of the company.

4.1.7 Non-production of record

As per clause 16.01 (a) of Services and Subsidy Agreement, the USF Service Provider shall maintain all records required for preparation of the reports described in Section 9.01. The USF Co have the right to send its auditors or other appointed representatives, on at least 24 hours prior notice, to the USF Service Provider's places of business for the purpose of auditing or otherwise inspecting the information and records of the USF.

Audit party requested to the service providers through USF company to provide the record related to the projects for audit and inspection as per Services and Subsidy Agreement (SSA). But the management of Service providers (PTCL, Telenor and Zong) did not provide the record for scrutiny. Non-provision of record by the service providers comes under the definition of misconduct on part of Service Provider.

Audit pointed this out to the management in May 2016. It was replied that USF Co was following up with the Service Provider and once available they would inform the AGP Audit Team. Reply was not acceptable as no progress was shown so far. The management of USF Company informed the DAC in its meeting held on 8^{th} and 9^{th} September, 2016 that the matter had been taken up with the services providers for production of record and audit would be informed accordingly.

Audit recommends that USF management should sort out this issue with the SPs and auditable record be provided to the auditors in the next regularity Audit.

4.2 Project Planning, Monitoring and Execution

Proper planning, monitoring and execution of any Project was the key element for its successful accomplishment whereas the same was the weakest area of the Company as only three or four projects were closed or completed so far. None of the project was completed within the scheduled time since the incorporation of the company. Hence, efficiency and effectiveness aspects of projects were compromised.

As a result of physical verification of the project sites, audit found that the low quality services were provided by the service providers. The Technical Auditors engaged by the company have not reported the low quality service to the management. The projects were also planned in an unscientific way as no financial or economic analysis was carried out to measure the cost and reserves price of the projects. Due to non-calculation of reserve price, the management auctioned projects at uneconomical rates.

4.2.1 **Preparation of USF projects without financial and economic analysis**

Section 1.6 of Accounting and Finance Manual describes the manners in which the General Manager P&T shall use a standard business model to assess the NPV of each area. The NPV analysis will include estimation of capital and operating costs and revenue of area and GM P&T based on this NPV calculation recommend a reserved price of each USF Area and reserve price shall not exceed 80% of total expected capital expense on tenable capital items.

Audit observed that the management has not performed financial and economic analysis of the projects to estimate the capital and operating costs to calculate the NPV of the USF Contact areas. Financial analysis is an important tool to check the return on investments and is used to measure unit cost analysis, year wise cash flows and impact on the economy. Traditionally, cost models were tools used by regulators to monitor and control prices for access and interconnection services which are monopolistic in nature. Over time, operators have also developed cost models to analyze their own cost structures for regulatory and business purposes.

Audit pointed this out to the management in May, 2016. Management accepted the observation but no reply was provided.

DAC in its meeting held on 8th and 9th September, 2016 directed the management to carry out financial and technical analysis of each project and submit to Board before the approval of the bid, as pointed out by Audit.

Audit recommends that responsibility be fixed for non-compliance to the above mentioned rules and wastage of public money. Moreover, financial analysis must be carried out to determine the reserve price of the projects.

4.2.2 Non-fixation of subsidy ceiling

Section 1.6 of Accounting and Finance Manual describes the manners in which the General Manager P&T shall use a standard business model to assess the NPV of each area. The NPV analysis will include estimation of capital and operating costs and revenue of area and GM P&T based on this NPV calculation recommend a reserved price of each USF Area and reserve price shall not exceed 80% of total expected capital expense on tenable capital items.

Audit observed that the management had not fixed reserve price and the projects were being subsidized un-economically over and above 80% subsidy. In one such case, subsidy was granted up to 108% of project value (Capital + Operational expenditure for three years). The detail is as under:-

Project Name	Service Provider	Total Project Value (PKR)	Subsidy (PKR)	Subsidy % age
BP-2	PTCL	1,232,000,000	1,200,000,000	97%
BP-3	**Wateen**	**911,000,000**	**986,000,000**	**108%**
BP-4	Wateen	2,420,000,000	2,200,000,000	91%
Dadu	PTCL	280,000,000	25,0000,000	89%
Zhob	Telenor	3,788,000,000	3,615,000,000	95.43%
Kalat	**PTML (UFone)**	**2,184,483,292**	**2,184,000,000**	**100%**
Mastung	PTCL	3,266,000,000	3,000,000,000	92%

STR-1	PTCL	646,032,532	549,555,618	85%
HTR	PTCL	234,759,482	211,591,697	90%
STR-V	PTCL	1,258,476,471	1,206,175,000	96%
RTR (Rawalpindi)	***PTCL***	**1,427,763,844**	**1,391,972,500**	**97%**
NTR-1	PTCL	1,333,113,428	1,162,000,000	87%

Whereas in case of broadband projects, these were launched in the urban centers and had a good business case. In spite of this, service providers had demanded heavy subsidy in regions like Rawalpindi etc.

Audit pointed this out to the management in May, 2016. It was replied that "In defined exceptional circumstances, where an analysis of the project shows that a reasonable return could not be achieved unless a higher subsidy was made available, the CEO may recommend that more than 80% of the project's expected capital expense be made available. Such exceptions will be subject to ratification by the Board". Reply of the management was not acceptable as Project costing, financial and economic analysis was not being carried out. Without financial analysis how CEO determined that reasonable return could not be achieved.

DAC in its meeting held on 8th and 9th September, 2016 directed the management to recheck it and explain the reason to Audit for award of more than 100% subsidy to service provider.

Audit recommends that a reserve price must be calculated in each and every project. Moreover, the team of Professionals be constituted to conduct forensic audit, calculate NPV of the projects and report must be shared with audit.

4.2.3 Poor planning of project design and non-achievement of Milestones

Article 16.02 of SSA provides that time is the essence of the contract. As per SSA the Completion period for the projects was 18 months maximum and extension can be granted in case of force majeure.

Audit observed that the management had not properly planned and designed the projects and milestones targets. None of the projects were completed within the given time period which showed in-efficiency. It was further observed that in some cases the force majeure was granted for more than 6 months that is the violation of the SSA. The details are provided in **Annexure-A** which presents the clear picture of completion of the project in comparison to effective dates.

Audit pointed this out to the management in May 2016. It was replied that the rule 26(2), as amended, states; "After the submission of the appropriate bank guarantee, as provided in sub rule (l), the successful bidder shall be required to execute the contract or the project or special project and commence work to complete service roll-out in accordance with the roll-out period identified in the contract. Any extension of the rollout period shall require fresh approval of the Board". Reply was not acceptable as none of the projects were completed in the given timeframe.

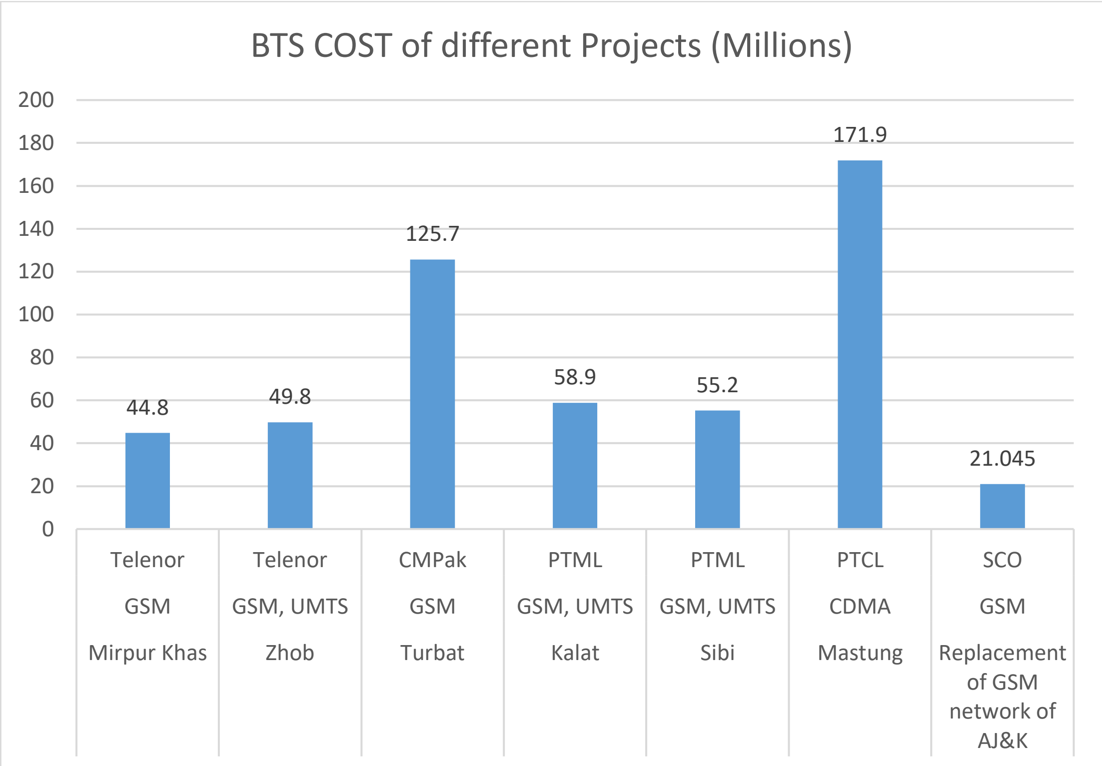
DAC in its meeting held on 8th and 9th September, 2016 directed the management to provide justification of delay of projects in peaceful Areas such as DG Khan, Larkana, Faisal Abad Telecom Region (FTR), Multan Telecom Region (MTR), Rawalpindi Telecom Region (RTR) etc.

Audit recommends that the matter should be investigated as the projects were not efficiently planned. Moreover, the management should complete/close all projects as early as possible without any further delay.

4.2.4 Loss due to Non-fixation of reserve price in rural telecom projects-Rs 10,716 Million

According to USF Rule-23 an officer of the USF company designated for projects shall prepare a project plan for each project which shall include a clear and complete description of the lots, all applicable service requirements, specifications and standards, any applicable service implementation timetable and any special commercial terms that would have a particular impact on financial viability or business planning. Where the business is to be auctioned with a reserve price, the project plan shall also identify the maximum subsidy amount for the lots.

It was observed that USF management had not performed costing and economic analysis and projects were awarded on very high prices. Audit team has benchmarked the projects executed by the SCO against USF projects. SCO has recently launched a project titled “Replacement of GSM network of AJ&K” (3G/4G enabled) with a capital cost of Rs 1439 million and operational cost of Rs 100 million per annum. Audit has calculated the benchmark cost by adding Capital plus Operational expenditure for three years and added 15% extra allowance over and above Capex+Opex. The unit cost of SCO project was then compared with the USF projects and it was noticed that the management had paid Rs 10,716 Million extra as detailed in **Annexure-B**. Another Project,“Provision of GSM Facilities in Neelum District” was executed by SCO at even lower prices than the above mentioned project.



Audit pointed this out to the management in May 2016. It was replied that in its 2nd Board Meeting USF Board had showed concern on the technology neutrality issue in the estimation of the reserved price. It was debated and agreed that it would be difficult for the company to have one reserve price for all the different technical options available in one project. The capital cost varies from terrain to terrain, e.g. plain areas are cheaper to build in as compared to rocky and sandy areas. To provide the necessary flexibility (whether to have reserve price or not), the Board recommended to the Federal Government to amend the Rules. The reply was not acceptable as projects were awarded on escalated prices due to non-fixation of reserve price. Project Costing was not so complex and all the factors such as technology, terrain, etc could be adjusted.

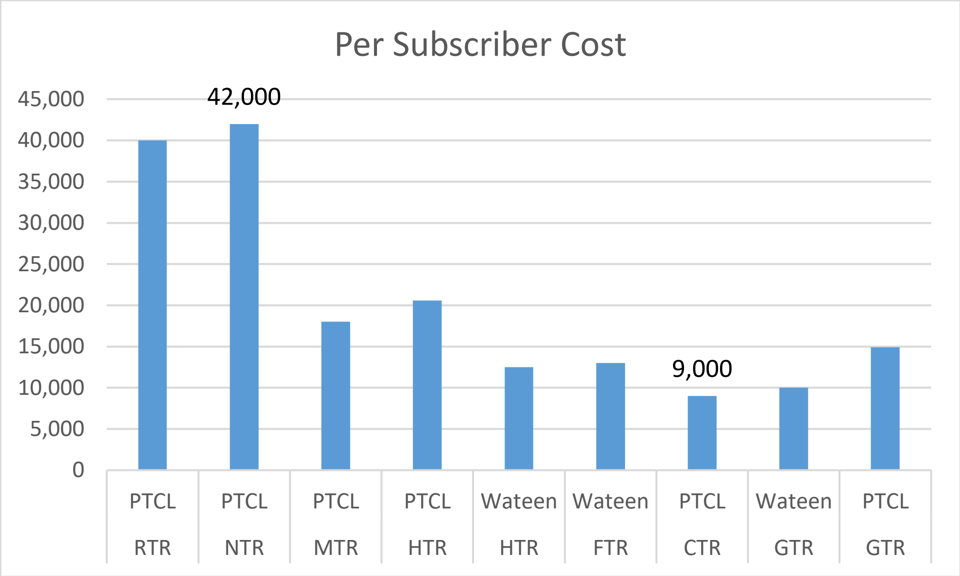
DAC in its meeting held on 8^{th} and 9^{th} September, 2016 directed the management to calculate reserve price and NPV as envisaged in USF financial and accounting manual for comparison of project cost.

Audit recommends that forensic audit be conducted by a team of telecom professionals to ascertain the cost of completed projects. Moreover, the reserve price be fixed for all upcoming projects.

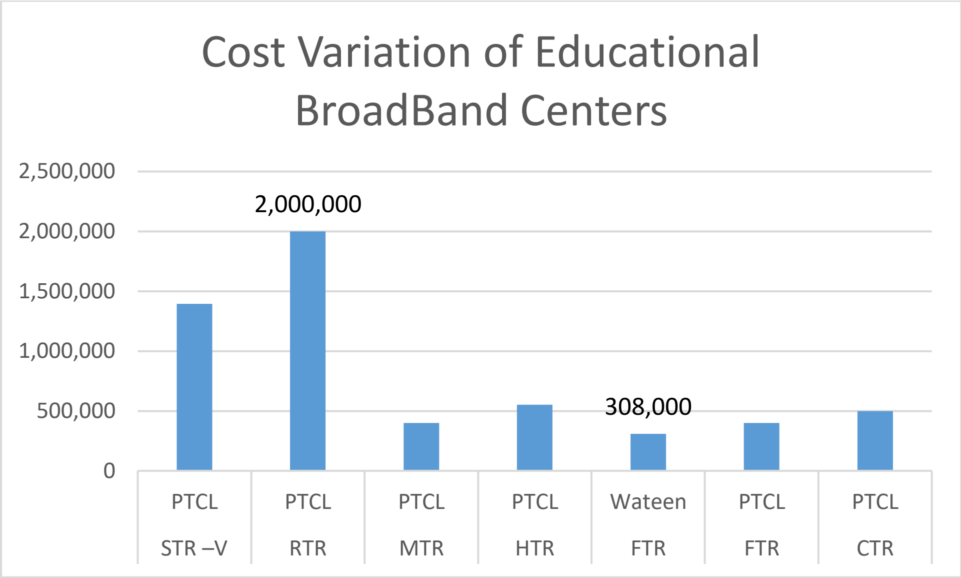
4.2.5 Loss due to non- fixation of reserve price in Broadband Projects - Rs 2,474 million

According to USF Rule-23 an officer of the USF company designated for projects shall prepare a project plan for each project which shall include a clear and complete description of the lots, all applicable service requirements, specifications and standards, any applicable service implementation timetable and any special commercial terms that would have a particular impact on financial viability or business planning. Where the business is to be auctioned with a reserve price, the project plan shall also identify the maximum subsidy amount for the lots.

In violation of above, USF management awarded projects on escalated price owing to non-fixation of the reserve price. As per statistical analysis of the subsidy provided for development of Broadband Centres (CBC & EBC: a network of 5 computers along with printers and UPS), subsidy ranges from Rs 308,000 to 2,000,000 per CBC and EBC. In RTR & NTR the service provider has charged exorbitant rates for repair & maintenance and commissioning of EBC/CBC. Audit team is of the view that fair market price/cost was not more than that of Rs 500,000 per EBC/CBC and Rs 15000 per broadband subscriber. Non-fixation of reserve price resulted in loss of Rs 2,474,300,090 as detailed in **Annexures C (1,2,3)**.



Variation of per computer network cost is given below



Breakup of the subsidy provided for CBC/EBC to the PTCL is given below:

Sr No	Description	Quantity	Price per unit Charged by SP
1	Computer	5	600,000
2	Printer	1	15,000
3	Licensed software	5	350,000
4	LAN Setup	1	20,000
5	UPS	1	200,000
6	Minor Repair	1	50,000
7	Backlit Signboard	1	15,000
8	Furniture and Fixture	1	150,000
9	Technical Maintenance	1	500,000

Audit pointed this out to the management in May, 2016. It was replied that in its 2nd Board Meeting USF Board showed concern on the technology neutrality issue in the estimation of the reserved price. It was debated and agreed that it would be difficult for the company to have one reserve price for all the different technical options available in one project. The capital cost varies from terrain to terrain, e.g. plain areas are cheaper to build in as compared to rocky and sandy areas. To provide the necessary flexibility (whether to have reserve price or not), the Board recommended to the Federal Government to amend the Rules. The reply was not acceptable as projects were awarded on escalated prices due to non- fixation of reserve price. Project Costing was not a complex activity as all the factors such as technology, terrain, etc can be adjusted.

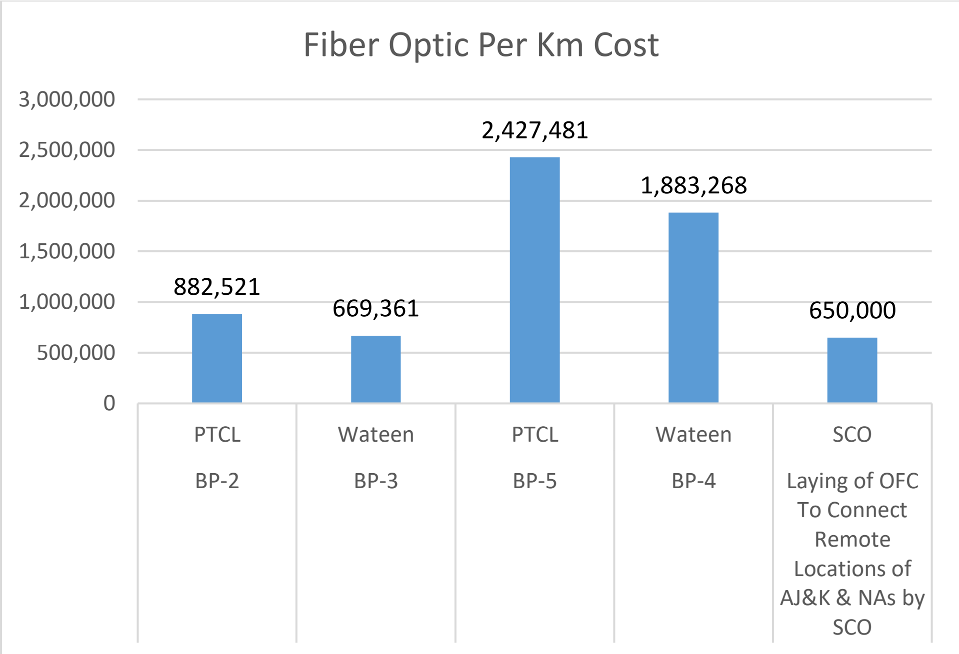
DAC in its meeting held on 8th and 9th September, 2016 directed the management to calculate reserve price and NPV as envisaged in USF financial and accounting manual for comparison of project cost.

Audit recommends that forensic audit be conducted by a team of telecom professionals to ascertain the cost completed projects.

4.2.6 Loss due to non -fixation of reserve price in OFC Projects - Rs 2,745.800 million

According to USF Rule-23 an officer of the USF company designated for projects shall prepare a project plan for each project which shall include a clear and complete description of the lots, all applicable service requirements, specifications and standards, any applicable service implementation timetable and any special commercial terms that would have a particular impact on financial viability or business planning. Where the business is to be auctioned with a reserve price, the project plan shall also identify the maximum subsidy amount for the lots.

Audit observed that USF Company had awarded projects at very high price without calculation of NPV of the projects or any kind of costing and fixation of reserve price of the projects. Audit team compared the projects executed by the USF projects against SCO executed projects and found that the SCO executed projects at a very low cost. SCO launched a project of fiber optic titled “Laying of OFC to Connect Remote Locations of AJ&K and NAs” having project value of Rs 459.00 Million covering 14 cities and spanning 811 km. SCO has executed this project at Rs 565,968/km. While in case of USF Company, Baluchistan package 5 was executed at Rs 2.43 Million/km. Audit had benchmarked the SCO's project cost per kilometer Against USF projects by allowing a 15% additional allowance.



The financial comparison had shown that the management had paid subsidy of Rs 2,745,800,000 over and above the benchmark cost (**Annexure-D**).

Audit pointed this out to the management in May, 2016. The USF management replied that the benchmark assumption of SCO project was not a relevant example as individual infrastructure details including capacity, type etc. and cost factors had not been shared. The reply was not acceptable as USF mmanagement had not fixed the reserve price of Optical Fibre __OFC projects. Moreover, the above mentioned PC1 of above mentioned project was available with SO development, MOIT.

DAC in its meeting held on 8th and 9th September, 2016 directed the management to calculate reserve price and NPV as envisaged in USF financial and accounting manual for comparison of project cost.

Audit recommends that forensic audit be conducted by a team of telecom professionals to ascertain the cost completed projects.

4.2.7 Non-obtaining of Insurance Documents

Article 7 of the service subsidy agreement states that the USF Service Provider shall maintain or cause to be maintained on behalf of itself and all subcontractors to whom the USF Service Provider has sub-contracted (in relation to the implementation or operation of the USF Network or provision of the USF Broadband Services); all times during the Term of this Agreement, in a form and with insurers acceptable to USFCo, the following types of insurance: Commercial General Liability Insurance and Property Insurance.

The company did not obtain the insurance documents from the service providers in contravention to the services and subsidy agreement. Audit team is of the view that the payments made to the service providers without obtaining insurance documents were irregular.

Audit pointed this out to the management in May, 2016. Management replied that the SPs declined to provide the requisite insurance certificates on the pretext that they were running multiple projects and they do insure them on collective basis and for their confidentially, they could not share those documents with USF co. Reply was not acceptable because obtaining of insurance documents was the pre-requisite of service provider agreement.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF Company to take up the matter with PTCL & other operators for obtaining Insurance documents for all the projects.

Audit recommends that insurance documents of all projects be obtained from the service providers.

4.3 Financial Management

Financial Management is the weakest area of the company neither the Financial Statements were submitted to the National Assembly of Pakistan nor Funds transferred to AJ&K and Gilgit Baltistan councils. The USF Company also failed to handle the tax matters despite clear clauses of the income tax ordinance and decision of the court.

4.3.1 Non-submission of Annual Audited Financial Statements to National Assembly of Pakistan

According to Section-33E (1)of Pakistan Telecommunication (Amendment) Act, 2006 The Accounts of Universal Service and Research and Development Funds shall be:- maintained in such form and manner as the Federal Government may determine and audited by Chartered Accountant as defined in the Chartered Accountants Ordinance 1961 (X of 1961). While section 33E (2) states that the Federal Government shall, after the end of every financial year, submit to the National Assembly the audited annual statements of Accounts together with the report of the Auditor-General of Pakistan. Moreover section 33E (3) ibid states that the Federal Government shall also publish after the end of every year a report on the state of Universal Service and Research and Development and on its activities in this regard during that year.

Audit observed that the Fund management (MOIT) neither prepared the financial statements since Financial Year 2009-10 nor got them audited from Chartered Accountants for onward submission to the National Assembly. Moreover, the requisite report on state of Universal Service and Research and Development were not submitted to the National Assembly.

Audit pointed this out to the management in May, 2016. No reply was submitted by the Fund management.

DAC in its meeting held on 8th and 9th September, 2016 settled the para subject to provision of minutes of policy committee meeting dated August 2016 and audited financial statements as per law.

Audit recommends that audited financial statements must be submitted to National assembly periodically and a copy of the same must also be shared with Audit.

4.3.2 Non-transfer of APC for USF and R&D fund contributions of AJ&K and Gilgit Baltistan-Rs 520 million

USF Fund Policy Committee passed resolution in its meeting held on 30th September, 2014 in MoIT Islamabad to keep AJK-GB related USF Contribution with MoIT till the establishment of USF framework in AJK.

Audit observed that Gilgit Baltistan Council (GBC) USF Company and AJ&K Council USF Company were established on 5th January 2015 & 12th February 2015, respectively. But the funds amounting to Rs 520 million of AJK-GB USF Contributions were still retained by MoIT. Audit is of the view that these funds should be transferred to AJK & GB USF companies without further delay. Moreover, interest earned from investment made through these funds should also be transferred to AJK & USF companies.

Audit pointed this out to the management in May, 2016.No reply was received from Fund management.

DAC in its meeting held on 8th and 9th September, 2016 settled the para subject to transfer of APC contribution to AJK-GB Councils.

Audit recommends that amount be transferred as early as possible along with interest.

4.3.3 Unjustified payment of income tax-Rs 12,174.612 million

According to Section-49(1) of Income Tax Ordinance 2001 income of Federal Government shall be exempt from tax and in terms of Section-2(fa) of Telecom Reorganization (Amendment) Act, 2006 the Federal Government means the Ministry of IT who has power to control and administer USF and R&D Funds.

Audit observed that PTA and MOIT paid an amount of Rs12,174,612,057 as income tax to FBR from Universal Service and Research and Development Funds. The Universal Service Fund was under the administrative control of Federal Government and was not the part of the income. Therefore, charge of income tax from USF was not justified as per above rules. Audit was of the view that MOIT had failed to safeguard the interest of USF as no efforts were made for refund of these taxes. The detail is as under:

Tax deducted from MoIT	1,218,852,906
Tax deducted from PTA on collection account	10,955,759,151
Total:	**12,174,612,057**

Audit pointed this out to the management in May 2016 but no reply was submitted by the Fund management.

DAC in its meeting held on 8th and 9th September, 2016 directed the Fund Management to take up the matter with FBR for recovery of unjustified income tax deductions.

Audit recommends that matter should be taken up with FBR through MOIT for refund claim.

4.3.4 **Disputed tax liability - Rs 5.427 billion**

According to section 2 (36) of Income Tax Ordinance 2001, the Chief Commissioner, Regional Tax Office, Islamabad granted exemption to the USF Company vide its order No. 510 date 28.06.2010. Moreover, Honorarable Islamabad High Court vide writ petition No. 2132/ 2015 dated 26.06.2015 had directed Commissioner Inland Revenue Appeals RTO Islamabad to decide the appeals of petitioner within 45 days and till then no coercive measures shall be taken against the petitioner for the recovery of disputed tax liability vide order dated 26.06.2015.

Audit observed that Federal Board of Revenue has raised a demand of Rs 5,427,486,422 as tax liability against USF (2008 to 2014). Audit was of the view that the management had not applied concerted efforts (with the help of MoIT& PTA) to safeguard the interest of the company and disputed liability of Rs 5.427 billion taxes was still pending.

Audit pointed this out to the management in May 2016. It was replied that the company was granted tax exemption under section 2(36) Income Tax Ordinance 2001 but tax authorities withdrew it without any justification and had not renewed despite regular requests. The tax orders issued by Tax authorities from time to time were dealt in accordance with the legal forums / provisions of income tax ordinance through replies, appeals, stay orders and appeals to income tax Appellant Tribunal. Reply was not tenable as the USF management did not make concrete efforts to resolve the matter.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF management to take up the matter with FBR for settlement of tax liability raised against USF Company.

Audit recommends that matter be taken up with FBR through MoIT to resolve the issue.

4.3.5 Non-deduction of GST on services - Rs 2.521 million

Section 3 (1) of Islamabad Capital Territory (Tax on Services) Ordinance, 2001 states that there shall be charged, levied and paid a tax know as sales tax @ 16% (specified in column (4) of the Schedule to this Ordinance)of the value of the taxable services rendered or provided in the Islamabad Capital Territory.

Audit observed that USF Company incurred an expenditure of Rs 15,757,694 on account of payment to contractors on different services relating to projects w.e.f 01.07.15 to date as detailed in **Annexure - E**. But GST on services amounting to Rs 2,521,230 was not withheld by USF Company resulting into loss of Rs 2,521,230 to National Exchequer.

Audit pointed this out to the management in May, 2016. It was replied that major part of the expenditure payments mentioned in the observation was related to the expenditure / delivery of services during 2014-15 before the promulgation of

Islamabad Capital Territory (Tax on services) ordinance effective date i.e. July 01, 2015. Reply was not acceptable as the payments were made after July 01, 2015.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF management to recover the amount from the contractors and get it verified from audit.

Audit recommends for immediate compliance of the DAC directive.

4.3.6 **Unlawful payment on account of court cases and consultancies - Rs 24.23 million**

Ministry of Law, Justice and Human Rights Division vide its circular No.20 (1)/87-LA dated 22.11.2004 directed that no legal advisor, advocate or consultant shall be appointed or engaged by any department in future without the prior approval of Ministry of Law, Justice and Human Rights Division. Moreover, section 12.2.4.2 of Human Resource Policies and Procedures Manual of Universal Service Fund states that the job description of the GM Law is to advise on corporate, contractual and labour matters; and advise on telecom regulatory affairs. While as per section 12.4.1.2 Manager Accounts is responsible for review and application of tax laws.

During execution of audit it was revealed that extraordinary amount of Rs 16,282,500 was paid to different lawyers to plead cases in Courts of Law **(Annexure –F)**. USF Company has also outsourced regulatory and tax related matters and paid an amount of Rs 7,943,007 to different consultancy firms **(Annexures - G & G-1)**. It is necessary to mention here that USF Company had fully functional law wing under the control of GM Law and supported by Manager Complaints and enforcements, Manager Auctions, Manager Contracts, Deputy Manager Law and Law Officers all having legal backgrounds and law degrees as per the qualification given in HR policy. Moreover, in most of the cases MOIT and PTA were also parties and these organizations also had their own legal wings (Member legal at MOIT, DG law at PTA) but still the management hired the services of legal firms and paid exorbitant fees. In one such example the management had paid Rs 7,000,000 to the legal counsel. In this regard, the approval for hiring of legal consultant was also not sought from the Ministry of Law, Justice and Human Rights.

Audit pointed this out to the management in May 2016. It was replied that USF was a Company established under Section 42 of Company Ordinance 1984 governed by Independent Board of Directors. USF Co was neither a Ministry/Division nor falls under a category of any attached department of Government of Pakistan under Rules of Business 1973. Therefore, the circular issued by the Ministry of Law Justice and Human Right Division does not apply on USF and had no legal effect. Reply was not acceptable because as per rule 35(1) of the USF Rules the Federal Government may, as and when it considers necessary, issue directives to the Board or the CEO on matters of policy, and such directives shall be implemented by the Board or the CEO, as the case may be. Therefore, directions of federal ministries were binding if not contradictory to law.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF management to provide the revised reply showing process/criteria to engage the law firm as well as final fate of the cases awarded to lawyers. It was also directed that the USF would provide the list of all cases along with nature of consultancies and their impact thereon may also communicated to audit.

Audit recommends immediate compliance of the DAC directives.

4.4 Asset Management

Asset Management is also grey area of the company. Audit observed during field visit that the management has not monitored the assets like provision of software, installation of CBCs at accessible to the general public, ghost CBCs and provision of backlit signboards.

4.4.1 Loss due to installation of Pirated Software-Rs 148.250 Million

Clause 3 (b) of Schedule B of SSA states that USF service Provider shall be responsible for acquiring licenses of all licensed software in the name of educational institution. Moreover Clause 1 (a) (viii) of Schedule E of SSA states that Use of pirated software by the USF Service Provider in Community and Educational broadband Centres is a material breach.

Audit observed that the service provider had not provided licensed software to the clients. Rather, pirated software was installed such as Microsoft windows. During physical inspection and meeting with the EBC/CBC owners, it was observed that no licensed software was provided to the CBC and EBC centres. Neither technical auditor nor USF monitoring department had reported this to the management. In Rawalpindi Telecom Region (RTR), PTCL had charged Rs 350,000 for licensed software per CBC/EBC. Audit party had calculated the cost of licensed software of three regions only as the breakup of the cost of other regions was not available. PTCL charged an amount of Rs 148,250,000 for the provision of licensed software. Detail is given below:

Sl No	Name of Region	Name of SP	Per EBC Cost	Cost of Licensed Software	No of EBCs & CBCs	Loss
1	STR –V	PTCL	1,395,000	250,000	180	45,000,000
2	RTR	PTCL	2,000,000	350,000	146	51,100,000
3	NTR	PTCL	2,000,000	350,000	149	52,150,000
					Total:-	**148,250,000**

Audit pointed this out to the management in May 2016. It was replied that under reference clause 3 (c) of Service Subsidy Agreement (SSA), Service Providers were allowed to either install commercial licensed Software or an open source operating system. As per the provided BoQ of the three Broadband Service Providers M/s Wateen and M/s World Call had used open source software, Ubuntu operating system which was an open source with a free license whereas M/s PTCL had used Commercial Licensed Microsoft product in Educational Broadband Centers and Community Broadband Centers deployed by them. The reply was not acceptable as it was proven during physical verification of the EBCs and CBCs in three telecom regions (7 cities) by Audit that pirated software were installed in all systems (of PTCL). Inspection documents were duly signed by the USF engineers.

DAC in its meeting held on 8th and 9th September, 2016 directed USF Company to check the genuineness of the software installed by the services provider through a technical committee constituted by the USF management and MoIT.

Audit recommends that the technical committee be formed as early as possible and report must be shared with the Audit. Moreover, the management should calculate total amount of all the telecom regions and recover the same from service providers.

4.4.2 Loss due to non-provision of Backlit signboard- Rs 1.460 million

Article 2.03 of SSA states that the USF Service Provider shall provide to the USF Broadband Services and established Community Broadband Centers and Educational Broadband Centers in accordance with the service specifications and requirements identified in Schedules A and B. The USF Service Provider shall provide the USF Broadband Services in the USF Areas identified in Schedule C as being mandatory for USF Network and USF Broadband Services in accordance with the network and as per roll-out requirements identified in Schedule D.

Audit observed that as per annexure-1 of Lien Letter, the PTCL had to provide Backlit Signboard to all EBCs and CBCs. But during physical verification, it was found that no signboard was provided at some sites and in other sites simple flex sheets (without backlights) were provided. This resulted into loss of public money to the extent of Rs 1,460,000 as detailed below:

Sr No	Description	BOQ as per SSA	Cost per signboard charged to USF (Rs)	Fair market value flex signboard (Rs)	Diff (Rs)	Loss (Rs)
1	EBCs	130	15,000	5,000	10,000	1,300,000
2	CBC	16	15,000	5,000	10,000	160,000
Total:-						**1,460,000**

Audit pointed this out to the management in May 2016. It was replied that for the RTR and HTR projects, fourth project implementation milestone was still not achieved. Once the milestones was completed, the same would be highlighted in the Technical Audit report and a letter of rectification would be sent to the service providers for rectification before any final payments were made against the milestone. Similarly, for other projects too, if there were any shortcomings in the milestones, appropriate deductions would be made from the Service Provider's subsidy. Moreover, as per the BoQ of RTR only CBCs were to be provided with backlit signboards. EBCs were to be provided water proof sign boards which the service provider had done. The reply was evasive as these discrepancies were not highlighted by USF staff and penalties were not imposed on service providers.

DAC in its meeting held on 8^{th} and 9^{th} September, 2016 directed the USF Company to provide the record/information related to discrepancies pointed out by audit to Secretary MoIT for taking necessary action against the persons responsible.

Audit recommends that the report related to discrepancies must be shared with the Audit and strict disciplinary action be taken against delinquents.

4.4.3 **Loss due to Installation of CBCs in PTCL Exchanges- Rs 251.321 million**

As per 1.01 (Definitions) of SSA, "USF Areas" means the areas identified in Schedule C as being mandatory for USF Network and USF Broadband Services. While Article 2.03 of SSA states that the USF Service Provider shall provide the USF Broadband Services in the USF Areas identified in Schedule C as being mandatory for USF Network and USF Broadband Services in accordance with the network and service roll-out requirements identified in Schedule D.

Audit observed that the management did not apply due diligence while spending public money. No selection criteria was established to select the sites for the EBCs and CBCs. In case of CBCs, even no list was attached with the original contract as mandated in the agreement. Getting benefit of this, the Service providers installed CBCs at their own exchanges even at MSUs (main switching units) and franchises. Audit has physically verified CBCs in Rawalpindi, Jhelum, Chakwal, Abbottabad, Mansehra and Gujrat and found that the CBC installed at PTCL exchanges were not being used by the general public and were being misused. Those computers were either lying idle or being used by the PTCL staff itself (pictorial evidence attached). Audit was of the view that installation of CBCs by PTCL & Wateen at their own exchanges (and misuse) was the wastage of public money amounting to Rs 251,321,340. The detail is as under:

Sl No	Name of Region	No of CBCs	Cost of CBCs
1	STRV	55	83,050,000
2	STR-1	43	24,212,122
3	RTR	16	32,000,000
4	NTR	25	14,000,000
5	MTR	58	31,799,000
6	HTR	19	10,505,218
7	FTR	85	37,500,000
8	CTR	26	13,500,000
9	GTR	07	4,755,000
		Total:-	**251,321,340**

Audit pointed this out to the management in May, 2016 but no reply was given by USF management. Audit was of the view that management had accepted the deviation by not giving a reply.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF Company to make study for efficient utilization of CBCs installed by the service providers and to ensure that all equipment is properly utilized. Moreover, all viable CBCs may be shifted to schools/EBCs.

Audit recommends that all such CBCs must be shifted to schools for better utilization of assets.

4.4.4 Doubtful provision of CBCs and EBCs

Article 2.03 of SSA states that the USF Service Provider shall provide the USF Broadband Services and establish Community Broadband Centers and Educational Broadband Centers in accordance with the service specifications and requirements identified in Schedules A and B. The USF Service Provider shall provide the USF Broadband Services in the USF Areas identified in Schedule C as being mandatory for USF Network and USF Broadband Services in accordance with the network and service roll-out requirements identified in Schedule D.

Audit observed that the management of USF had no reliable data about the actual deployment of EBCs and CBCs. The number of CBCs and EBCs provided in the original contract do not match with the list provided by the management during audit and details are available on the website. This created doubts about actual deployment of the EBCs and CBCs. During physical verification of HTR it was observed that CBCs were not available as per the information provided to the auditors. CBCs of Qalandarabad exchange, Mandian Exchange and Havelian Exchange could not be verified as these were shifted to somewhere else or these did not exist at all. Similarly, CBCs installed by World Call were also not available on ground and management had itself written letters in this regard to the World Call. Audit is of the view that there might be some ghost EBCs and CBCs installed by the service providers and the public money was wasted. Detail of EBCs and CBCs is given below:

Number of EBCs and CBCs					
AS per Website of USF (Summary)			As per Final List provided to Auditors		
	EBCs	CBCs		EBCs	CBCs
Contracted	1552	441	Contracted	1552	451
Completed	*1274*	*358*	*Completed*	*590*	*173*
Audited	*647*	*647*	*Audited*	*590*	*173*

Audit pointed this out to the management in May, 2016. The management replied that the total Contracted Educational Broadband Centers were l439 and the Audited figure was 1269. The discrepancy between the figures available on USF website and the audited data would be rectified. Out of the three Community Broadband Centers visited by the audit team in HTR Broadband project, all three were part of fourth milestone of the project which was still pending with PTCL and had not been cleared. The fourth Project implementation milestone was still not accomplished as certain centers had not been established as per Schedule C. The reply was not acceptable as no documentary evidence regarding rectification of data was provided to audit.

DAC in its meeting held on 8th and 9th September, 2016 directed the USF Company to reconcile the data regarding actual deployment EBCs and CBCs and get it verified by audit.

Audit recommends that technical audit be conducted by a team of telecom professionals to ascertain the supply of services as per BOQ in all telecom regions in addition to compliance of the DAC directives.

5. CONCLUSION

USF Company had launched various projects for the provision of telecom services across the nook and corner of the country. Only few of the projects were completed or closed even after the considerable lapse of time. Heavy subsidies were paid to execute these projects and subsidy ceiling was not being observed. No financial or economic analysis was being done to measure the NPV and reserve price of the projects. Resultantly, the management had paid billion of rupees to the service providers.

Monitoring and evaluation of the projects was ineffective, insurance documents and lien certificates were not being obtained. During field visits it was noticed that the management has not monitored the deployment of assets. Provision of pirated software, installation of CBC at the premises of service providers and non-provision of backlit signboards were highlighted during audit. Some ghost CBCs were also reported during audit. Technical auditors had not been fairly reporting the anomalies to the management. Corruption charges were also raised by the Technical auditors against the company officials and resultantly a forensic audit was recommended by the secretary MOIT that was not conducted so far.

Fund management has failed to safeguard the interest of the fund. There is a huge difference in the actual available funds and books of accounts. Large sums were neither realized by the management nor were drawn by the Federal Government against rules and regulations. Financial statements were not being audited by the chartered accountants as envisaged by law. Issue pertaining to tax had not been resolved so far and hefty amount had been transferred to FBR.

Audit recommends that the management shall ensure economy, efficiency and effectiveness in utilization of the fund. Human resource must be rationalized and all its manuals must be revised in accordance with the recommendations of Audit

6. ACKNOWLEDGEMENT

We wish to express our appreciation to the Management of USF Company and staff for the assistance and cooperation extended to the auditors during this assignment.

Annexure--A

Statement showing detail of achievement of milestones

S. No	Project/Lot Name	Contract Date	Completion Date as per contract	Actual Completion Date	Delay Period
RTeS					
1	DG Khan	07.02.08	06.08.09	25.06.10	10 Months
2	Nasirabad	28.07.09	27.01.11	25.06.13	02 Years
3	Malakand	04.10.07	04.04.09	Cancelled	-
4	Mansehra	24.06.08	23.12.09	Not completed	-
5	Larkana	17.05.09	16.11.10	Not completed	-
6	Masung	31.05.12	30.11.10	Not completed	-
7	Turbat	21.02.13	20.08.14	Not completed	-
OFC					
1	Balochistan Package-2	25.06.09	24.10.10	**Not completed**	-
2	Balochistan -Punjab Package-2	24.11.09	23.03.11	**Not completed**	-
3	Balochistan -Punjab Package-5	17.05.10	16.08.11	**Not completed**	-
4	Balochistan Package-4	13.07.11	12.11.12	**Not completed**	

BROAD BAND					
1	FTR (PTCL)	27.04.09	26.12.10	**Not completed**	**-**
2	FTR-1 (Wateen)	27.04.09	26.12.10	**Not completed**	**-**
3	MTR (PTCL)	25.06.09	24.02.11	**Not completed**	**-**
4	STR-1 (PTCL)	25.06.09	24.02.11	14.05.14	03 Years
5	MTR (World Call)	28.07.09	27.03.11	10.07.12	01 Year
6	HTR (PTCL)	24.11.09	23.07.11	**Not completed**	**-**
7	GTR (Wateen)	13.04.10	12.12.11	27.05.14	02 Years
8	CTR- (Wateen)	28.04.10	27.12.11	**SSA terminated**	**-**
9	CTR (PTCL)	28.04.10	27.12.11	**22.03.15**	01 Year
10	STR-V (PTCL)	08.05.12	07.01.14	**Not completed**	**-**
11	RTR (PTCL)	11.12.13	10.08.15	**Not completed**	-
12	NTR-1 (PTCL)	11.12.13	10.08.15	**Not completed**	**-**

Annexure -B

COMPARISON OF THE RTEs PROJECTS EXECUTED BY THE USF SERVICE PROVIDERS AND SCO

	Tech.	BTSs	T'centers	PCOs	Awarded To	Subsidy (Million PKR)	Project value (Million PKR)	% Subsidy	Subsidy per BTS (Million PKR)	Project Cost per BTS (Million Rs)	Benchmark Cost (Million PKR) SCO	Difference per BTS (Million PKR)	Excess Payment (Million PKR)
Mirpur Khas	GSM	26	27	127	Telenor	930	1164	80%	35.8	44.8	21.045	14.7	382.83
Larkana	CDMA	10	0	38	PTCL	228	293	78%	22.8	29.3	21.045	1.8	17.55
Nasirabad	GSM	64	3	53	CMPak	1,573	1,991	79%	24.6	31.1	21.045	3.5	226.12
Zhob	GSM, UMTS	76	0	0	Telenor	3,615	3,788	95.43%	47.6	49.8	21.045	26.5	2015.58
Turbat	GSM	54	4	34	CMPak	3,953	6,790	58.20%	73.2	125.7	21.045	52.2	2816.57
Kalat	GSM, UMTS	45	0	0	PTML	2,184	2,649	82.46%	48.5	58.9	21.045	27.5	1236.975
Sibi	GSM, UMTS	99	0	0	PTML	3,195	5,466	58.46%	32.3	55.2	21.045	11.2	1111.545
Shangla	GSM, UMTS	78	0	0	Telenor	1,950	2,807	69.47%	25.0	36.0	21.045	4.0	308.49
Mastung Rev.1	CDMA	19	0	7	PTCL	3,000	3,266	92%	157.9	171.9	21.045	136.8	2600.145
Total:-													10,715.81

Annexure – C (1)

LOSS FROM SUBSCRIBERS

Sl No	Name Of Region	Name Of SP	Per Subscriber Cost	Benchmark Cost	Difference Per Subscriber	Total Number Of Subscribers	Total Loss
1	STR - V	PTCL	16,700	15000	1,700	56500	96,050,000
2	STR- I	PTCL	16,500	15000	1,500	17500	26,250,000
3	RTR	PTCL	39,999	15000	24,999	27500	687,472,500
4	NTR	PTCL	42,000	15000	27,000	25000	675,000,000
5	MTR	World Call	18,000	15000	3,000	38500	115,500,000
6	MTR	PTCL	18,000	15000	3,000	63000	189,000,000
7	HTR	PTCL	20,594	15000	5,594	7000	39,158,000
8	HTR	Wateen	12,492	15000			

9	FTR	Wateen	13,000	15000			
10	FTR	PTCL	14,900	15000			
11	CTR	PTCL	9,000	15000			
12	CTR	Wateen	9,000	15000			
13	GTR	Wateen	9,999	15000			
14	GTR	World Call	14,900	15000			
15	GTR	PTCL	14,900	15000			
						Total:-	**1,828,430,500**

Annexure – C (2)

LOSS FROM EBC.

Sl No	Name of Region	Name of SP	Per EBC Cost	Difference at Benchmark cost of Rs 500,000	No of EBCs	Loss
1	STR –V	PTCL	1,395,000	895,000	125	111,875,000
2	STR- I	PTCL	555,978	55,978	82	4,590,196
3	RTR	PTCL	2,000,000	1,500,000	130	195,000,000
4	NTR	PTCL	2,000,000	1,500,000	124	186,000,000
5	MTR	World Call	400,000	0	0	0
6	MTR	PTCL	400,000	0	0	0
7	HTR	PTCL	553,377	53,377	112	5,978,224
8	HTR	Wateen	400,000	0		0

9	FTR	Wateen	308,000	0		0
10	FTR	PTCL	400,000	0		0
11	CTR	PTCL	500,000	0		0
12	CTR	Wateen	500,000	0		0
13	GTR	Wateen	500,000	0		0
14	GTR	World Call	500,000	0		0
15	GTR	PTCL	500,000	0		-
					Total:-	**503,443,420**

Annexure – C (3)

LOSS FROM CBC.

Sl No	Name of Region	Name of SP	Per CBC Cost	Benchmark	Difference per CBC	No of CBCs	Loss
1	STR -V	PTCL	1,510,000	500,000	1,010,000	55	55,550,000
2	STR- I	PTCL	566,049	500,000	66,049	43	2,840,107
3	RTR	PTCL	2,000,000	500,000	1,500,000	16	24,000,000
4	NTR	PTCL	2,000,000	500,000	1,500,000	25	37,500,000
5	MTR	World Call	751,500	500,000	251,500	27	6,790,500
6	MTR	PTCL	751,500	500,000	251,500	58	14,587,000
7	HTR	PTCL	560,977	500,000	60,977	19	1,158,563
8	HTR	Wateen	500,000	500,000	0	0	0
9	FTR	Wateen	308,000	500,000	0	0	0

10	FTR	PTCL	500,000	500,000	0	0	0
11	CTR	PTCL	500,000	500,000	0	0	0
12	CTR	Wateen	500,000	500,000	0	0	0
13	GTR	Wateen	500,000	500,000	0	0	0
14	GTR	World Call	500,000	500,000	0	0	0
15	GTR	PTCL	500,000	500,000	0	0	0
						Total:-	**142,426,170**

Annexure – D

COMPARISON OF THE OFC PROJECTS EXECUTED BY THE USF SERVICE PROVIDERS AND SCO

Package Name	Service Provider	Length (Km)	Total Project Value (Mil PKR)	Subsidy (Mil PKR)	Subsidy % age	Unit Cost per Km @project value	Subsidy per km(PKR)	Benchmark cost (Including 15% allowance)	Difference per km @ Project value	Difference per km @ Subsidy value	Excess payment (difference per km at Subsidy value * No of Km)
BP-2	PTCL	1,396	1,232,000,000	1,200,000,000	97%	882,521	859,599	650,000	232,521	209,599	292,600,000
BP-3	Wateen	1,361	911000000	986,000,000	108%	669,361	724,467	650,000	19,361	74,467	101,350,000
BP-5	PTCL	786	1,908,000,000	1,498,000,000	79%	2,427,481	1,905,852	650,000	1,777,481	1,255,852	987,100,000
BP-4	Wateen	1,285	2,420,000,000	2,200,000,000	91%	1,883,268	1,712,062	650,000	1,233,268	1,062,062	1,364,750,000
Total:-											**2,745,800,000**

Laying of OFC To Connect Remote Locations of AJ&K & NAs by SCO		811	459,000,000	-	0	565,968	-	-	-	-	-
					Benchmarking						
					SCO cost/Km	565,968					
					15% allowance	84,895					
Total Benchmark Cost:-						**650,863**					

Annexure -E

STATEMENT SHOWING DETAIL OF EXPENDITURE INCURRED ON SERVICES RENDERED BY USF COMPANY DURING 2015-16

Sl No	Voucher# & Date	Name of contractor	Description	Amount paid	GST (Rs @ 16%)
1	46, 22.09.15	Emerging Systems	Technical Audit Fee	2,201,021	352,163
2	55, 28.09.15	Seronic Pvt Ltd	-do-	968,100	154,896
3	47, 22.09.15	Technology at Work	-do-	1,590,300	254,448
4	60, 19.02.16	Seronic Pvt Ltd	-do-	968,100	154,896
5	33, 15.03.16	Makkays	-do-	1,471,340	235,414
6	62, 27.10.15	Telecom Engineering & Consulting House (Teach)	-do-	1,580,878	252,940

7	16, 08.03.16	Analytical Solutions	For establishing labs in Pakistan Sweet Homes	1,491,087	238,574
8	26, 16.07.15	Nayab Law Associates	Professional charges for legal cases	325,000	52,000
9	30, 16..07.15	Ideas Workshop	Advertisement of tender	105,800	16,928
10	30, 16..07.15	Maxim Advertising Co.	-do-	100,400	16,064
11	08, 04.08.15	ORR Dignam & Co	Professional charges for legal cases	489,750	78,360
12	44, 18.09.15	IT & Telesys	Product Support Services	121,442	19,431
13	23, 08.10.15	Ideas Workshop	Advertisement of tender	84,640	13,542
14	30, 10.11.15	Ideas Workshop	-do-	105,800	16,928
15	31, 10.11.15	Maxim Advertising Co.	-do-	213,600	34,176
16	31, 10.11.15	-do-	-do-	99,800	15,968

17	31, 10.11.15	-do-	-do-	99,800	15,968
18	61, 22.12.15	-do-	-do-	309,800	49,568
19	04, 06.01.16	-do-	-do-	124,600	19,936
20	56, 18.02.16	ORR Dignam & Co	Professional charges for legal cases	892,000	142,720
21	80, 29.02.16	Maxim Advertising Co.	Advertisement of tender	99,800	15,968
22	66, 31.03.16	-do-	-do-	552,011	88,322
23	62, 22.12.15	Destiny Travels	Car rental service	342,900	54,864
24	76, 23.12.15	-do-	-do-	366,100	58,576
25	54, 22.03.16	-do-	-do-	342,900	54,864
26	54, 28.09.15	Bukhari Trevell Services	Air Tickets Charges	150,250	24,040
27	48, 16.10.15	-do-	-do-	69,304	11,088
28	67, 22.12.15	-do-	-do-	156,284	25,005
29	77, 23.12.15	-do-	-do-	97,492	15,599
30	32, 15.03.16	Baba International	-do-	108,410	17,346
31	48, 21.03.16	Universal Times Travel	-do-	117,130	18,741

32	35, 11.04.16	-do-	-do-	11,855	1,897
			Total:-	**15,757,694**	**2,521,230**

Annexure -- F

STATEMENT SHOWING DETAIL OF EXPENDITURE INCURRED ON COURT CASES BY USF SINCE INCEPTION

Sl No	Date	V. No	Description	Amount (Rs)
1	02.06.09	B007 06/09	Sajjad Law Associates Payment for attending supreme court case against APC for USF	3,000,000
2	02.06.09	B007 06/09	Sajjad Law Associates Payment for attending supreme court case against APC for USF	3,000,000
3	11.02.11	B324 02/11	INTERNATIONAL LEGAL CONSULTANTS Payment for Professional Fee against Invoice # 04 for Appearing and Attending in Sindh High Court in the Case	750,000
4	13.04.12	B027 04/12	Allied Legal Consultants Payment of 50% Professional Fee for Five Civil Suits pending in Sindh High Court Karachi Ch # 1543614	750,000
5	13.04.12	B028 04/12	Ch. Muhammad Maqsood Ahmed Payment of 50% Professional Fee for One Civil Suit pending in Islamabad High Court	150,000
6	10.09.12	B013 09/12	Syed Nayyab Hassan Payment of Professional Fee for defending Court Four Cases (Optiwave Vs USF, FOP Vs USF), ADJL V PTA # 145/2011 & 146/2011)	700,000

7	21.02.13	B067 02/13	Sajjad Law Associates Payment of Invoice dated February 22, 2013 against Professional Charges for Supreme Court case # 4848/2012 for Media Campaign & removal of Ex-CEO	7,000,000
8	24.04.13	B057 04/13	Nayyab Law Associates Payment of Professional Fee for defending Court cases 100 % for four decided case, 50% for four pending cases & one new pending case	150,000
9	10-2015	B049 10/15	J.A.S.B. & Associates Payment of Professional charges/fee for Contempt of Court case preparation for WHT 2013 stay case	35,000
10	10-2015	B050 10/15	J.A.S.B. & Associates Payment of Professional charges/fee for filing/pleading appeal against Order #917/2015 for WHT of FY 2013 to Commissioner Appeals	47,500
11	11-2015	B052 11/15	Sajjad Law Associates Payment of Expense and Professional Charges pursuant to Order of the Supreme Court of Pakistan, impleading USF as a party in Civil Appeal # 139/2013 (worldcall)	700,000
			TOTAL	**16,282,500**

Annexure -- G

STATEMENT SHOWING DETAIL OF EXPENDITURE INCURRED ON TAX CONSULTANCIES BY USF SINCE INCEPTION

Sl No	Date	V. No	Description	Amount (Rs)
1	1-Feb-08	B001 02/08	Deloitte, Islamabad Tax Advisor Fee & Out of pocket Exp for Professional Services rendered	100,000
2	20-Nov-08	B032 11/08	Deloitte Payment of 50% advance for professional Services for Tax Exemption	50,000
3	28-Jan-09	B063 01/09	M/S Deloitte Payment of Professional Services Sales Tax (Jul-Dec 08) & Annual Income Tax (Jul-08 to Jun-09)	50,000
4	15-Jun-09	B040 06/09	M/S Deloitte Payment of Professional Services Sales Tax Advisory (Jan- June 09)	25,000
5	8-Sep-09	B015 09/09	Avais Hyder Liaquat Nouman Payment of Professional charges(Tax Advisors) Fee & Out of Pocket expenses for July - Sept 2009	30,000
6	24-Dec-09	B061 12/09	Avais Hyder Liaquat Nouman Payment of Professional charges(Tax Advisors) Fee & Out of Pocket expenses for Oct - Dec 09	30,000

7	6-Apr-10	B019 04/10	Avais Hyder Liaquat Nouman Payment of Professional charges(Tax Advisors) Fee & Out of Pocket expenses for Jan - Mar 10	30,000
8	30-Jun-10	B095 06/10	Avais Hyder Liaquat Nouman Payment of Consultancy Charges against OFC NWFP Package-1 for Task-1 Completion	30,000
9	30-Jun-10	B097 06/10	M.Yousif Adil Saleem & Co Payment of balance 50% Professional charges & out of pocket expenses for Tax exemption u/s 2(36)	50,000
10	30-Jun-10	B109 06/10	Pakistan Center for Philanthropy Payment of Certification fee for performance evaluation for Tax exemption under section 2(36) of ITO through debit advice	250,000
11	13-Apr-11	B030 04/11	Avais Hyder Liaqat Nauman CA Payment of Tax advisor fee and out of pocket Expenses for the Period Jan- Mar 2011	30,000
12	25-Oct-11	B066 10/11	Tariq Abdul Ghani Maqbool & co Payment of Tax Consultancy Charges for the First Quarter (Jul-Sep) of FY 2011-12	28,500
13	23-Apr-12	B051 04/12	Tariq Abdul Ghani Maqbool & co Payment of Tax Consultancy Charges for the 3rd Quarter (Jan-Mar) of FY 2011-12	28,500
14	25-Oct-12	B034 10/12	J.A.S.B & Associates Payment of Professional Charges for tax consultancy services i.e. retainship fee for first Qtr (Jul-Sep-12) of FY 12-13 & for appeal before CIR(A)	28,500

15	25-Oct-12	B034 10/12	J.A.S.B & Associates Payment of Professional Charges for tax consultancy services i.e.retainship fee for first Qtr (Jul-Sep-12) of FY 12-13 & for appeal before CIR(A)	126,500
16	30-April-13	B066 04/13	J.A.S.B & Associates Payment of Professional Charges for Tax consultancy services i.e.retainship fee & Out of pocket expenses for 3rd Qtr (Jan-March-13) of FY 12-13	28,500
17	19-Sep-13	B033 09/13	J.A.S.B. & Associates Payment of Professional Charges for Tax Advisory Services for USF Company complaint with Federal Tax Ombudsman	79,250
18	11-April-13	B003 11/13	J.A.S.B. & Associates Payment of Quarterly Professional Charges- Retain ship fee- Tax Advisory Services for 1st Qtr (Jul-Sep-13) of FY 2013-14	28,500
19	06-Feb-14	B010 02/14	J.A.S.B. & Associates Payment of Professional Charges for Services provided regarding USF Company Appeal to Commissioner Appeals for TY 2011	126,750
20	17-Feb-14	B035 02/14	J.A.S.B. & Associates Payment of Professional Charges for Services provided regarding USF Company Appeal to Commissioner Appeals for TY 2012 & Quarterly Retain ship Oct-Dec-13	50,000
21	15-May-14	B024 05/14	J.A.S.B. & Associates Payment of Quarterly Professional Charges- Retain ship fee- Tax Advisory Services for 3rd Qtr (Jan-Mar-14) of FY 2013-14	28,500
22	Oct-14	B052 10/14	J.A.S.B. & Associates Payment of Quarterly retain ship fee and out of pocket expenses for tax consultancy services of 1st quarter of FY 2014-15 Jul-Sep-14	28,500

23	Mar-15	B074 03/15	J.A.S.B. & Associates Payment of Professional charges/fee and out of pocket expenses for filing appeal of four years i.e. 2008, 2009, 2011 & 2012 to Commissioner Appeals	174,750
24	May-15	B077 05/15	J.A.S.B. & Associates Payment of Professional charges/fee and out of pocket expenses for filing two appeals of FY 2010 & 2013 to Commissioner Appeals & Quarterly Retain ship for Jan-Mar-15	28,500
25	May-15	B077 05/15	J.A.S.B. & Associates Payment of Professional charges/fee and out of pocket expenses for filing two appeals of FY 2010 & 2013 to Commissioner Appeals & Quarterly Retain ship for Jan-Mar-15	132,500
26	Mar-15	B074 03/15	J.A.S.B. & Associates Payment of Professional charges/fee and out of pocket expenses for filing appeal of four years i.e. 2008, 2009, 2011 & 2012 to Commissioner Appeals	15,000
27	May-15	B077 05/15	J.A.S.B. & Associates Payment of Professional charges/fee and out of pocket expenses for filing two appeals of FY 2010 & 2013 to Commissioner Appeals & Quarterly Retain ship for Jan-Mar-15	1,425
28	May-15	B077 05/15	J.A.S.B. & Associates Payment of Professional charges/fee and out of pocket expenses for filing two appeals of FY 2010 & 2013 to Commissioner Appeals & Quarterly Retain ship for Jan-Mar-15	4,800
			TOTAL	**1,613,975**

Annexure – G-1

STATEMENT SHOWING DETAIL OF EXPENDITURE INCURRED ON LEGAL OPINION SINCE INCEPTION BY USF

Sl No	Date	V. No	Description	Amount (Rs)
1	20-Jul-07	B015 07/07	Jawwad S. Khawaja (Legal Services hired for Bid Lot-1)	212,766
2	3-Aug-07	B002 08/07	Tanvir Ahmed Khan(Legal Services hired for Bid Lot-1)	212,766
3	29-Sep-08	B052 09/08	Muhammad Aslam Hayat Payment of 1st & 2nd Phase completion for Broadband Legal Consultancy	2,100,000
4	7-May-09	B021 05/09	Muhammad Aslam Hayat Payment on Legal Consultancy Charges for Broad Band FTR Contract on completion of 3rd and last Phase	900,000
5	19-Oct-09	B027 10/09	ORR Dignam & Co Advocates Payment for Hiring of legal consultant/expert for legal opinion as Directed by Audit & Finance Committee	37,000
6	4-Mar-10	B024 03/10	ORR Dignam & Co Advocates Payment of Bill # SR/5131 for legal opinion for Court order on Process of Qualification/award of Contract & Wateen Court Papers	70,000
7	14-Jun-10	B048 06/10	ORR Dignam & Co Advocates Payment of Bill # SR/5254 against Professional Charges for legal opinion on powers of CEO for appointment	60,000

8	30-Jun-10	B100 06/10	A.R & Co Payment of Professional Charges for Consolidation of USF Rules 2006 incorporating all amendments	25,000
9	13-Apr-11	B027 04/11	ORR DIGNAM & CO. ADDVOCATE Payment of Invoices # 6169& 6170 against different legal opinions sought regarding USF Rules, Medical Insurance Tender & Malakand division	233,000
10	10-May-11	B014 05/11	ORR DIGNAM & CO. ADDVOCATE Payment of Invoices # 6194 against legal opinion Sought regarding Encashment of Performance Guarantees	37,000
11	17-Jun-11	B049 06/11	ORR Dignam Advocates Payment against legal opinion on "Time Extension due to non-payment by USF" sought during 25-04-2011 to 11-05-2011	229,500
12	28-Jun-11	B112 06/11	ORR Dignam Advocates Payment against legal opinion on "Award of OFC PB-4 Packg for Wateen" June 201	60,000
13	23-Aug-11	B060 08/11	ORR DIGMAN & Co. Advocates Payment of Invoice # SR/SS/5854 against supply of Professional Services (Legal Opinion on Signing of OFC-BP-4 Contract) Rs. 720 excess paid wrongly	32,000
14	28-Sep-11	B059 09/11	Hayat & Noorwala Advocates Payment of Invoice # 05/2011-12 against Legal Opinion on Passing of resolution by circulation by USF Board	30,000
15	26-Oct-11	B087 10/11	Hayat & Noorwala Advocates Payment of Invoice # 03/2011-12 against Legal Consultancy UTCs RFA/SSA	150,000
16	26-Oct-11	B088 10/11	ORR DIGMAN & Co. Advocates Payment of Invoice # SR/RM/1062 against supply of Professional Services (Legal Opinions on writ petition by PTCL)	40,000

17	13-Mar-12	B041 03/12	ORR DIGMAN & Co. Advocates Payment of Invoice # SR/RM/1125 against supply of Professional Services (Legal Opinion on Gratuity Fund)	40,000
18	10-Apr-12	B012 04/12	Hayat & Noorwala Advocates Payment of Invoice # 18/2011-12 against Legal Opinion on applicability to USF of rules and regulations applicable to Government and its Ministries	130,000
19	30-May-12	B071 05/12	ORR DIGMAN & Co. Advocates Payment of Invoice # 1150, 1151,1152,1169,1171,1188,1200,1201,1202,1203 against supply of legal advices on different matters	905,000
20	1-Jun-12	B002 06/12	AZ Zaman Advocates Payment of Invoice # USF.1/0038/05/2012 & USF.2/0039/05/2012 against supply of legal advices on different matters	189,000
21	29-Jun-12	B062 06/12	ORR DIGMAN & Co. Advocates Payment of Invoice # SR/1212 against professional Charges/ legal advices on different matters in May 2012	100,000
22	25-Mar-14	B054 03/14	Orr Dignam & Co Advocates Payment of Invoice# SR/3136 against professional/consultancy services supplied for Compensation claim of CMPAK	80,000
23	Aug-14	B031 08/14	Sidat Hyder Morshed Associates Pvt. Ltd Payment of professional charges for Actuarial valuation of USF Employees Gratuity Fund for FY 2013-14 ended on June 30, 2014 after deduction of LD Charges	25,000
24	Jan-15	B066 01/15	In Consult Pvt Ltd Payment of consultancy charges for UTC project engineering & Architectural service on completion & certification of 2nd Milestone i.e. 20% of the Contract	72,000

25	Mar-15	B005 03/15	In Consult Pvt Ltd Payment of consultancy charges for UTC project Engineering & Architectural service on submission of deliverables of Design 2 & Design 3 as per clause 5.2 of SCC	300,000
26	Jul-15	B022 07/15	Oratier Technologies Pvt. Ltd Payment for professional Charges (Registration & Monthly Charges of Rs. 2,500 quarter 28-07-15 to 27-1015) for registration of USF with Pakistan Law Site	9,000
27	Dec-15	B068 12/15	Deloitte Yousuf Adil, CA Payment of Professional Charges for Review of Statement of Complaince-2014 as per PSCG Rules 2013	50,000
TOTAL				**6,329,032**